



Completion Report

Project Number: 31282
Loan Number: 1849
December 2010

Sri Lanka: Southern Province Rural Economic Advancement Project

CURRENCY EQUIVALENTS

Currency Unit	–	Sri Lanka rupee/s (SLRe/SLRs)	
		At Appraisal	At Project Completion
		27 July 2001	1 October 2010
SLRs1.00	=	\$0.011	\$0.009
\$1.00	=	SLRs90.00	SLRs112.100

ABBREVIATIONS

ADB	–	Asian Development Bank
AWDR	–	average weighted deposit rate
AWPLR	–	average weighted prime lending rate
EA	–	executing agency
EDS	–	enterprise development service
EIRR	–	economic internal rate of return
ENPV	–	economic net present value
FIRR	–	financial internal rate of return
ICB	–	international competitive bidding
Km	–	kilometer
LCB	–	local competitive bidding
NDB	–	National Development Bank
OFID	–	OPEC Fund for International Development
OPEC	–	Organization of the Petroleum Exporting Countries
PCR	–	project completion report
PIC	–	project implementation consultant
PFI	–	participating financial institution
PPMC	–	provincial project management committee
PMO	–	project management office
SDR	–	special drawing right
SME	–	small and medium-sized enterprises
SPC	–	Southern Provincial Council
SPRDA	–	Southern Provincial Road Development Authority

NOTES

- (i) The fiscal year (FY) of the government ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g. FY2009 ends on 31 December 2009.
- (ii) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Sri Lanka
2.	Loan Number	1849-SRI(SF)
3.	Project Title	Southern Province Rural Economic Advancement Project
4.	Borrower	Government of Sri Lanka
5.	Executing Agency	Ministry of Plan Implementation
6.	Amount of Loan	SDR19,384,000 (equivalent to \$25,000,000)
7.	Project Completion Report Number	PCR:SRI 1191

B. Loan Data

1.	Appraisal	
	– Date Started	12 July 2001
	– Date Completed	28 July 2001
2.	Loan Negotiations	
	– Date Started	24 September 2001
	– Date Completed	28 September 2001
3.	Date of Board Approval	26 October 2001
4.	Date of Loan Agreement	10 January 2002
5.	Date of Loan Effectiveness	
	– In Loan Agreement	10 April 2002
	– Actual	12 December 2002
	– Number of Extensions	5
6.	Closing Date	
	– In Loan Agreement	31 July 2008
	– Actual	31 December 2009
	– Number of Extensions	2
7.	Terms of Loan	
	– Interest Rate	1.0% during the grace period, 1.5% thereafter
	– Maturity (number of years)	32 years
	– Grace Period (number of years)	8 years
8.	Terms of Relending (if any)	
	– Interest Rate	Average weighted deposit rate of 1%
	– Maturity (number of years)	After 15 years, one installment
	– Grace Period (number of years)	15 years
	– Second-Step Borrower	National Development Bank

9. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
17 January 2003	5 August 2010	90 months
Effective Date	Original Closing Date	Time Interval
12 December 2002	31 July 2008	67 months

b. Amount (SDR)

No.	Category	Original Allocation	Last		Undisbursed Balance
			Revised Allocation	Amount Disbursed	
01A	Civil works, rural infrastructure	2,537,000	6,563,000	6,471,837	91,163
01B	Civil works, flood rehabilitation	0,000	3,474,000	3,284,779	189,221
02A	Vehicles	214,000	162,000	156,948	5,052
02B	Equipment	139,000	170,000	170,581	(581)
03	Training	255,000	153,000	150,795	2,205
04	Studies and surveys	146,000	126,000	99,457	26,543
05	Consulting services	1,186,000	612,000	671,677	(59,677)
06	Micro, small, and medium-sized enterprise support	1,548,000	460,000	350,827	109,173
07	Credit	10,855,000	6,311,000	6,388,815	(77,815)
08	Operation and maintenance	452,000	467,000	435,552	31,448
09	Recurrent costs (roads)	717,000	5,000	0	5,000
10	Unallocated	564,000	110,000	0	110,000
11	Interest charges	771,000	771,000	461,280	309,720
Total		19,384,000	19,384,000	18,642,549	741,452
Total (\$ equivalent)		25,000,000	29,221,848	28,086,447	1,135,401

() = negative.

Note: All actual amounts are as of 10 August 2010.

10. Local Costs (ADB financed)

	At Appraisal	At Completion
- Amount (\$ million)	29.5	15.9
- Percent of local costs	47.0	37.0
- Percent of total cost	32.0	28.0

C. Project Data

1. Project Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	13.2	14.1
Local Currency Cost	29.5	43.0
Total	42.7	57.2

Note: All actual amounts are as of 10 August 2010. This may change with further disbursements by ADB.

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower-Financed	6.7	15.4
ADB-Financed	24.0	27.4
OFID-Financed	5.0	5.0
PFIs	2.0	2.5
Beneficiaries	4.0	6.2
Total	41.7	56.5
IDC Costs		
Borrower-Financed	0.0	
ADB-Financed	1.0	0.7
Other External Financing	0.0	0.0
Total	42.7	57.2

ADB = Asian Development Bank, IDC = interest during construction, OFID = OPEC Fund for International Development, PFI = participating financial institution.

Note: All actual amounts are as of 10 August 2010. These may change with further disbursements by ADB. OFID figures are based on project management office reports.

Sources: Asian Development Bank and project management office.

3. Cost Breakdown by Project Component (\$ million)

Component	Appraisal Estimate	Actual
Micro and SME Credit	20.0	18.2
EDS Support	2.8	0.8
Improvement and maintenance of rural infrastructure	12.2	33.3
Institutional support	1.2	1.0
Support for project implementation	2.5	3.2
Contingencies		
- Physical	1.6	0.0
- Price	1.4	0.0
Interest charge	1.0	0.7
Total	42.7	57.2

EDS = enterprise development service, SME = small and medium-sized enterprises.

Notes: All actual amounts are as of 10 August 2010. These may change with further disbursements by ADB. OFID figures are based on project management office reports.

Sources: Asian Development Bank and project management office.

4. Project Schedule

Item	Appraisal Estimate	Actual
Contract with main consultant	Q1 2001–Q4 2001	Q4 2002–Q1 2003
Appointment of individual consultant to supervise the works		Q4 2006–Q4 2009
Civil Works Contract		
A. Construction of rural roads		
I. Gravel roads	Q4 2001–Q4 2002	Q1 2005–Q4 2005
II. Surfaced roads		Q3 2005–Q4 2009
B. Markets	Q3 2002–Q4 2004	Q3 2005–Q4 2009
C. Bridges		Q1 2007–Q4 2009
Credit Line		
A. Finalize agreements with PFIs	Q1 2001–Q4 2001	Q2 2002–Q1 2005
B. Initiate lending activities	Q1 2002–Q4 2003	Q3 2003–Q3 2008

PFI = participating finance institution, Q = quarter.

Source: Project management office.

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 30 October 2001 to 29 June 2002	Satisfactory	Satisfactory
From 30 July 2002 to 30 November 2002	Satisfactory	Unsatisfactory
From 31 December 2002 to 29 April 2010	Satisfactory	Satisfactory

Source: Asian Development Bank.

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Fact-finding	22 April–12 May 2001	1	3	c
Appraisal	12–28 July 2001	3	18	a, b, c
Special project administration	19–21 March 2002	2	6	a, c
Inception				
Special project administration	27 January–1 February 2003	2	4	a, c
Special project administration	13–17 October 2003	4	20	a, b, c, d
Review	12–13 May 2004	3	6	a, e
Special project administration	3–7 November 2004	2	16	a, f
Review	14–15 February 2005	5	25	a, f, g, h
Special project administration	13–20 June 2005	5	10	h, i, j, k
Special project administration	6–10 February 2006			
Midterm	22–23 May 2006	3	96	l, m, k
Review	12–27 July 2006			
Review	17–23 July 2007	3	42	h, i, j
Review	20–21 December 2007	1	2	i
Disbursement	28 January–1 February 2008	3	15	d, l, l
Review	24–29 March 2008	1	6	i
Special project administration				
Review	3–5 July 2008	1	3	i
Review	4–8 November 2008	1	5	i
Review	4–8 May 2009	1	5	i
Review	24–27 November 2009	1	4	i
Project completion report	12–16 July 2010	2	10	i, m

a = senior project economist, b = assistant project analyst, c = social sector resettlement specialist, d = finance officer, e = portfolio management specialist, f = associate project analyst, g = senior project implementation officer, h = consultant, i = project specialist, j = control officer, k = project analyst, l = senior financial control specialist, m = disbursement analyst.

Source: Asian Development Bank.

I. PROJECT DESCRIPTION

1. The Southern Province Rural Economic Advancement Project¹ was a focused intervention for economic advancement in partnership with the private sector. It was designed to stimulate economic growth and to create income and employment opportunities in Sri Lanka's Southern Province by promoting private sector investments in agriculture-based enterprises, with a focus on micro, small, and medium-sized enterprises (SMEs). Simultaneously, the project was to assist in establishing an enabling physical and institutional environment to promote and sustain this process by supporting the devolution of responsibility for planning and implementation to provincial and local governments. Entrepreneurs wanting to invest in the province would be assisted by contracted private sector agencies to identify economic opportunities and to formulate suitable projects. A credit line was also to be provided to meet the financing requirements of potential entrepreneurs. The project also aimed to provide capacity-building support to the public sector and to assist *pradeshiya sabhas* (local governments) in upgrading and maintaining key rural infrastructure.

2. The scope of the project comprised two interrelated parts that were implemented simultaneously. Part I stimulated economic activity in the province, including support to (i) enterprise development services (EDS), and (ii) a credit line for financing term loans. Part II built an enabling environment for economic growth and included support for (i) providing rural infrastructure, particularly access roads and markets; (ii) enhancing the technical and financial capacity of *pradeshiya sabhas* to maintain rural infrastructure; (iii) providing skills and capacities at the provincial level and to the executing agency (EA), the Ministry of Plan Implementation² to facilitate private sector participation in rural development; and (iv) providing project administration and management. The project framework is in Appendix 1.

3. Three major changes were made to the scope of the project during implementation as requested by the Government of Sri Lanka. After a major flood in May 2003, the Asian Development Bank (ADB) agreed in April 2004 to reconstruct 20 pedestrian bridges and gravel roads damaged by the flood, through a reallocation of \$2.650 million from the loan's credit component. In August 2006, ADB agreed to a second major change of scope and a \$3.1 million reallocation from the credit component to the civil works component to improve the selected roads with paved surfaces and concrete. This changed the scope for improved roads from 1,050 kilometers (km) of rural gravel roads to 200 km of paved and concrete roads and 170 km of gravel roads. In June 2009, ADB agreed to a request for reallocation of loan funds to complete additional road improvement works, using \$2 million in loan savings. In addition, as the road improvement subcomponent was co-financed with the OPEC³ Fund for International Development (OFID) and the OFID funds were fully allocated to existing contract packages, ADB agreed to increase its financing percentage from 40% to 65% to cover the total contract package, without requesting additional funds from OFID. The government agreed to maintain its financing percentage at 37%. The scope of all changes was consistent with the project's overall objectives.

¹ ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Republic of Sri Lanka for the Southern Province Rural Economic Advancement Project*. Manila (Loan 1849-SRI[SF], for \$25 million, approved 26 October).

² Following the swearing in of the new government in December 2001, several ministries were reorganized. The Ministry of Plan Implementation's EA role was first vested to the Ministry of Southern Region Development. In 2004, it was transferred to the Ministry of Regional Infrastructure Development; in 2006, to the Ministry of Regional Development; to the Ministry of National Building and Estate Infrastructure Development in 2008; and finally to ministry of Economic Development in 2010.

³ Organization of the Petroleum Exporting Countries.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. At the time of appraisal, 80% of the Southern Province's population was rural, and the poverty level stood at 40%.⁴ To remedy this situation, the government was employing several strategies including (i) promoting growth in the nonrural sectors to find alternative means of economic production for a section of the rural population; (ii) improving the efficiency of the agriculture sector by encouraging a switch to higher-value crops and improvements to the transport and marketing infrastructure serving rural areas; (iii) promoting rural enterprises, especially those that related to processing and marketing of agriculture and agriculture-related products; and (iv) improving governance and building the capacity of provincial governments and *pradeshiya sabhas* to plan for and support rural economic development by increasing the devolution of powers and development responsibilities.

5. The socioeconomic characteristics at appraisal indicated a lack of economic opportunities in the province. Poverty originated both from low productivity in agriculture and from the sluggish growth of the nonfarm sector. At the same time, the uneconomic size of landholding required the population to engage in off-farm employment to reduce its economic vulnerability.⁵ This situation was compounded by the high unemployment rate (14%) and lack of economic opportunities available.

6. The formulation of the project incorporated these economic and social circumstances, and the project design was consistent with the government strategies. Consultation during appraisal with entrepreneurs, producers, processors, market associations, and *pradeshiya sabhas* identified a wide range of potential economic opportunities for Southern Province. The project design recognized that a way to promote economic growth and poverty reduction in rural areas was to create an environment in which private rural enterprises can flourish, and that a tool to accomplish this involved the provision of credit for such enterprises.

7. The project design drew on the considerable consultation work undertaken during the project preparatory technical assistance.⁶ A 1997 study of post-evaluated projects in Sri Lanka⁷ and lessons learned from several ADB-financed agriculture, rural development, and finance projects highlighted the importance of (i) proper staffing, and institutional and project management capability in the EA and implementing agencies; (ii) beneficiary participation and involvement in project design, implementation, operation, and maintenance; and (iii) a flexible project implementation system based on a process-oriented approach.

8. In terms of specific lessons learned, the most relevant project was the Southern Province Rural Development Project.⁸ The government's evaluation of this project indicated that (i) adequate capacity existed in provincial governments to implement rural development projects; (ii) activities, such as credit provision for rural enterprises, promotion of new

⁴ The incidence of poverty is measured by the higher poverty line, which is set at SLRs950 per person per month.

⁵ Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2001. *Public Investments towards Poverty Reduction*. Colombo.

⁶ ADB. 1999. *Technical Assistant to the Democratic Socialist Republic of Sri Lanka for Southern Province Rural Economic Advancement*. Manila (TA 3385-SRI, for \$800,000, approved 29 December).

⁷ ADB. 1997. *Country Synthesis of Postevaluation Findings in Sri Lanka*. Manila.

⁸ ADB. 1991. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Republic of Sri Lanka for the Southern Province Rural Development Project*. Manila (Loan 1128-SRI, for \$38 million, approved 26 November).

technologies, and construction of rural infrastructure, can be successfully carried out at the provincial level; and (iii) institutional arrangements for different components need to be put in place to avoid start-up delays. Therefore, civil works, credit, and capacity development components were included to be implemented through a provincial project management office (PMO).

9. The project was consistent with the intent and directions of the ADB country and sector strategy at the time of appraisal. The ADB poverty reduction strategy emphasized pro-poor, sustainable economic growth; social development; and good governance as its three pillars.⁹ It focused on the development of the agriculture and rural sectors, since poverty is most prevalent in rural areas, especially the low-value agriculture sector. The country operational strategy also stated that ADB involvement in rural development needed to be reestablished in light of ADB's focus on policy reform and institutional development.¹⁰ The ADB country assistance plan, 2001–2003, and its country strategy and program update 2001 supported ADB's role in creating opportunities for the poor to participate in economic growth.¹¹ These prerequisites were met in the project design; thus, the project was highly relevant to poverty reduction in Southern Province.

B. Project Outputs

10. Appendix 2 provides a detailed outline of the project outputs for each component. Under part I, relating to stimulating economic growth, 701 SMEs and 3,493 microenterprises were established by generating 13,244 actual employment opportunities. Further, the PMO recruited 23 EDS providers to implement the credit component. Under part II, the project completed 328 km of paved and gravel roads, comprising 102 km of gravel roads, 161 km of asphalt surface roads, and 65 km of concrete pavement roads. It also rehabilitated or constructed 605 km of flood-damaged gravel roads, 19 new pedestrian bridges, and 23 rural markets. Details are provided in Appendix 3. The project also conducted 60 training programs for about 10,100 people. Training details are provided in Appendix 5.

11. The credit component was administered by the National Development Bank (NDB) as the apex agency, channeling subloan disbursement funds to participating financial institutions (PFIs) with the assistance of a lead EDS provider. The role of the lead EDS provider was a key element of the project design, but full benefits of this role were not achieved due to (i) a long delay in appointment of the initial lead EDS provider; (ii) poor performance of the first lead EDS provider; and (iii) a long delay in appointing a replacement.¹² During the engagement period of the replacement lead EDS provider, subloan approvals surged, thus demonstrating the value of the role as a catalyst for subloans.

12. At appraisal, the PFIs were expected to provide credit loans to 1,500 SMEs and about 7,000 microenterprises thereby generating 20,000 job opportunities.¹³ The primary reason for

⁹ ADB. 1999. *Fighting Poverty in the Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

¹⁰ ADB. 1998. *Promoting the Environment for Growth: Sri Lanka Country Operational Strategy*. Manila.

¹¹ ADB. 2001. Sri Lanka: Country Assistance Plan 2001–2003. Manila.

ADB. 2001. Sri Lanka: Country Strategy and Program Update 2001. Manila

¹² Initially, the PMO sought to undertake the lead EDS provider role. Thus, a technical proposal from the second-ranked bidder in the initial selection process was not requested until 7 months after the termination of the initial lead EDS provider, following strong ADB representations to the PMO during mission visits.

¹³ Small enterprises were defined as those with fixed assets, excluding land and buildings, of not more than SLRs7 million on completion of the subproject. Microenterprises were defined as those having fixed assets, excluding land and buildings, of not more than SLRs500,000 on completion of the subproject.

the shortfall (para. 10) is the poor performance of PFIs and the first lead EDS provider, as well as the reallocation of loan funds from the credit component to civil works. Significant accumulated recoveries collected through the revolving fund allowed a further 1,465 enterprises to be approved, though only 647 enterprises were disbursed by project completion, when there remained an unutilized revolving fund of SLRs550 million.

13. The changing of the project design (from the improvement of rural gravel roads to the creation of fewer asphalt and concrete pavement roads) provided more opportunities to increase the capacity of *pradeshiya sabhas* to maintain the rural paved roads. Although the output of the gravel roads was reduced, paved surface roads will reduce the vehicle operating costs and travel time and also benefit those walking. Creation of paved rural road infrastructure has also decreased the maintenance costs for *pradeshiya sabhas* in the short term, although this also has a higher level of cost for road maintenance in the future.

14. The flood rehabilitation works, which were not in the original project scope, rehabilitated 605 km of rural gravel roads and built 19 pedestrian bridges. The bridges have been successful and contributed to improving the living conditions of the communities. A post-project survey determined a range of unanticipated benefits.¹⁴ Since these works were incorporated in the project as emergency additional works after appraisal, no assessment of actual performance to expected outputs is possible. However, these works are sustaining the environment for rural economic growth by providing accessibility in the rural communities for economic and social activities.

15. The market upgrading was designed to improve 20 markets at appraisal, but the actual output resulted in 23 markets upgraded. Implementation of this subcomponent initially experienced some delays due to the lack of engineering staff for design, cost estimation, preparation of tender documents, and supervision, as well as disagreements between implementing agencies and *pradeshiya sabhas* on the design and location of the activities. However, the initial delay was recovered after introducing an effective monitoring and supervision system at the midterm review. A post-project survey recorded positive opinions on service and other improvements in the upgraded markets. Survey details are provided in Appendix 4.

16. The project also provided training programs and resources to enhance the technical and financial capacity of *pradeshiya sabhas* to maintain rural infrastructure, to improve project administration and management, and to upgrade skills and capacities at the provincial level and EA to facilitate private sector participation in rural development. The Provincial Management Training Institute in Wakwella was given some resources to conduct training programs for the Southern Provincial Council (SPC), *pradeshiya sabhas*, and private sector.

C. Project Costs

17. Components of the appraised costs and actual project costs are detailed in Table A6.1 and summarized in the Table 1, together with an outline of the financing plan. At appraisal, 53% of total project costs were associated with the Part I, of which 47% related to the credit component, while 29% of total project costs were allocated to the Part II with the civil works component, with the balance of project costs (18%) related to project and institutional support, contingencies, and interest. Actual project costs demonstrate the changed balance, with the civil works component accounting for 66% of total project costs and the credit component only

¹⁴ Government of Sri Lanka, Ministry of Nation Building. 2009. *SPREAP Impact Evaluation Study*. Galle, pp. 61–62.

accounting for 24% of total project costs. This change in project focus evolved due to (i) ADB's response to the major floods in May 2003 and a need to access available loan funds quickly for flood rehabilitation works; (ii) the government's strong stance on surfaced rather than gravel rural roads; and (iii) the late implementation of the credit component and the slow creation of subloans, which provided an opportunity to facilitate the transfer of project funds to infrastructure rehabilitation and creation.

Table 1: Appraisal and Actual Project Expenditures
(\$ million)

Source	Cost Estimates at Appraisal				Actual Expenditure at Completion			
	Foreign	Local	Total	%	Foreign	Local	Total	%
ADB	11.2	13.8	25.0	58	12.1	16.0	28.1	49
OFID	2.0	3.0	5.0	12	2.0	3.0	5.0	9
Government	0.0	6.7	6.7	16	0.0	15.4	15.4	27
PFI	0.0	2.0	2.0	5	0.0	2.5	2.5	4
Beneficiaries	0.0	4.0	4.0	9	0.0	6.2	6.2	11
Total	13.2	29.5	42.7	100	14.1	43.0	57.2	100

ADB = Asian Development Bank, OFID = OPEC Fund for International Development, PFI = participating financial institution.

Sources: Asian Development Bank loan financial information system and Sri Lanka Resident Mission.

18. At appraisal, the foreign division of costs was 31%, and the local division was 69%. The actual division was 40% and 60%, largely due to currency fluctuation between appraisal and 2010, where the Sri Lanka rupee appreciated 37% against the US dollar. Currency movements over this period are shown in Table A6.3 of Appendix 6.

D. Disbursements

19. Following project approval on 26 October 2001 and effectiveness on 12 December 2002, the first ADB loan disbursement was made on 17 January 2003. The projected and actual disbursements under the loan are compared in Appendix 7, and show that after a slow start to disbursements, annual disbursements were in line with appraisal estimates for 2006 and 2007. During 2002–2005, actual disbursements lagged behind those projected due to delayed (i) recruitment of the lead EDS provider (i.e., an 11-month delay, which was a condition for loan effectiveness) and implementation of lending activity; (ii) consultation with *pradeshiya sabhas* regarding agreement and implementation of improvements to the gravel rural roads; (iii) agreement with *pradeshiya sabhas* and design preparation of the rural markets; and (iv) recruitment of the project implementation consultants (PICs). ADB responded to these delays by undertaking missions¹⁵ to obtain agreements for selected performance commitments to resolve the outstanding actions required by the various parties. Nonetheless, the reallocated amount of the credit component (\$9.5 million or SDR6.4 million) was fully disbursed by December 2008. At the closing date of the project, 96.5% of the loan was disbursed, with a 17-month extension. An imprest account was established at the Central Bank of Sri Lanka, which ensured the timely release of loan funds. After all disbursements, about \$1.1 million in loan savings will be canceled.

¹⁵ Special project administration missions in May 2004, February 2005, February 2006, and May 2006; review missions in November 2004 and June 2005; and a midterm review mission in August 2006.

E. Project Schedule

20. Appendix 8 provides a chronology of main events during project implementation. At appraisal, it was estimated that the project would be implemented over 6 years. The original closing date was 31 July 2008, which was extended twice to 31 December 2009 due to implementation delays and additional works. It was expected that the first year would focus on (i) recruiting staff and consultants; (ii) undertaking initial benchmark and investment surveys to delineate specific potential enterprises to be promoted; (iii) contracting service providers, and establishing enterprise development and information centers; (iv) undertaking consultation work with *pradeshiya sabhas*; (v) finalizing the memorandums of understanding; and (vi) constructing demonstration roads. Some borrowing from the credit line was expected to occur by the beginning of the second year, but full-scale operation of the credit line and advisory services, as well as civil works under part II, were anticipated to commence only in the second year. Appendix 9 outlines a comparison of the time-based appraisal implementation schedule with actual implementation. While a number of the preparatory tasks were completed in the first year, the actual elapsed time for the recruitment of consultants was almost 2 years; the construction of demonstration roads started after an elapsed time of 21 months; contracting EDS providers was completed after an elapsed time of 18 months; and borrowing of the credit line commenced slowly after a delay of almost 2 years.

21. The loan extension was due to delays in project implementation and approved additional works for the flood rehabilitation works. These implementation delays were due to the (i) initial 11-month delay before loan effectiveness; (ii) delay in commencement of road improvement with asphalt surfacing and concrete paving; (iii) delayed agreement with *pradeshiya sabhas* over the design and construction of rural markets; (iv) delays in the design of the flood-damaged pedestrian bridges; and (vii) approval of additional works for the loan savings.

F. Implementation Arrangements

22. Implementation arrangements were complex. The framework is illustrated in Appendix 11. At appraisal, the Ministry of Plan Implementation was the EA, but this arrangement changed five times. There were two implementing agencies, with SPC responsible for project implementation and supervision for the civil works component, and NDB responsible for implementation of the credit component. NDB served as the apex bank for the provision of the project's credit line, which was provided by the government under subsidiary loan agreements.

23. The project implementation arrangements at appraisal were overambitious and assumed smooth coordination among NDB, the PMO, and SPC. Individually, these agencies had the capacity to handle the project, but they failed to coordinate activities in the field. While the PMO capacity was supplemented by assigning implementation of the civil works for the pedestrian bridges to the Southern Province Road Development Authority (SPRDA) and additional workload to staff working under the Tsunami-Affected Areas Rebuilding Project,¹⁶ PMO capacity was stretched beyond expectations. However, this improved after appointment of additional staff for implementation of the Tsunami-Affected Area Rebuilding Project.

24. Implementation arrangements for the flood rehabilitation works were changed as follows: (i) pedestrian bridge restoration was implemented by SPRDA because of their proven competency in this work; and (ii) flood-damaged rural gravel road rehabilitation was

¹⁶ ADB. 2005. *Report and Recommendation of the President to Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Tsunami-Affected Area Rebuilding Project*. Manila.

implemented by the *pradeshiya sabhas*, assisted by the Local Government Department of SPC. Apart from these changes, actual implementation arrangements were broadly as proposed at appraisal. Some issues of coordination and information flow from NDB and the PMO arose during the project, particularly in monitoring the revolving fund by the PMO. The project completion report (PCR) mission noted that institutional arrangements of project supervision and monitoring were unclear between the PMO and SPC on civil works, as both agencies were supervising the civil works.

G. Conditions and Covenants

25. Details of compliance with the loan covenants are provided in Appendix 12. The loan conditions and covenants were generally complied with, although there were some instances of late compliance. The requirement to develop self-financing EDS that would continue operations after project completion was partially complied with since the poor performance of the lead EDS provider resulted in inadequate attention applied to training and follow-up with EDS providers. Implementation of credit component was also partly complied with due to insufficient NDB coordination with the EA and PMO, and NDB's inability to open the revolving fund within 1 year of loan effectiveness. NDB is only mandated by the government to operate the revolving fund until 31 January 2011, and the addendums contain onlending terms different from those contained in the loan agreement between ADB and the government as well as the project agreement between ADB and NDB.

26. Further, the requirement to enter into management agreements with *pradeshiya sabhas* was partially complied with due to some *pradeshiya sabhas* not opening separate accounts for maintenance, and some not implementing management plans or cleaning and maintenance activities for the markets. Covenants relating to allocation of loan funds for road maintenance were deleted as result of the major change of scope from gravel roads to paved roads.

27. The PCR mission takes the view that all loan covenants were relevant to the project. However, allocation of additional budget and technical staff for road maintenance by the *pradeshiya sabhas* is very difficult to implement due to inadequate funds being transferred from the central government.

H. Consultant Recruitment and Procurement

28. All consulting services, including those financed by OFID, followed ADB Guidelines on the Use of Consultants (2010, as amended from time to time). The lead EDS provider was recruited under local consultant selection procedures and commenced services on 7 January 2003, after a 16-month delay. Due to its poor performance,¹⁷ the contract with this consultant was terminated on 30 April 2004. Replaced consultants were not mobilized until March 2006 due to some disagreements between the EA and ADB on the selection process. A detailed explanation of this is in Appendix 13.

29. The PICs were selected under international competitive bidding procedures and commenced work on 1 November 2004 after a 28-month delay, which affected implementation of civil works during the first 2 years of the project. Further, the PMO recruited 20 individual engineer and engineering assistant consultants for the increased civil works, and they were mobilized in June 2005. Performance of the individual consultants was generally satisfactory.

¹⁷ First cited in the aide-mémoire of the Special Project Administration Mission in November 2003.

30. Goods and services financed by ADB and OFID were procured in accordance with ADB Procurement Guidelines (2010, as amended from time to time). Procurement comprised small contracts for road maintenance, road resurfacing, and construction of market facilities. With the inclusion of the flood-damaged pedestrian bridges, larger contracts were involved, estimated to cost the equivalent or more than \$1 million. They were to be awarded on the basis of international competitive bidding. Civil works for market improvement were to be awarded through local competitive bidding (LCB). Details of the civil works contracts are provided in Appendix 3

I. Performance of Consultants, Contractors, and Suppliers

31. As outlined in Appendix 13, the services of the first-ranked lead EDS provider was terminated after 16 months due to poor performance. The PICs were similarly of concern to ADB project missions due to the (i) poor performance of some consultant team members and failure to field nominated consultants; (ii) late delivery and poor quality of some final reports; and (iii) nondelivery of the public finance management consultant's final report and the overall PIC final report.¹⁸ Nonetheless, the PICs did contribute to some improvements in the performance and service delivery of *pradeshhiya sabhas*. The performance of individual engineers and engineering assistants appointed for supervision for civil works was generally satisfactory after introducing laboratory testing to assess the quality of materials. The performance and outputs from the replacement lead EDS provider and the consultants engaged to prepare impact assessment reports was likewise satisfactory. Therefore, the overall performance of the consultants is rated *partially satisfactory*.

32. While the demonstration gravel rural roads were completed broadly to the contract timetable, the other gravel roads contracts were delayed in some cases by more than 12 months due to difficulties in obtaining suitable gravel. In response, the subsequent contracts for rural roads surfacing were issued in packages. The contracts for flood-damaged gravel roads were completed on time. The performance of these contracts was a measurable improvement, although some were delayed. Further, three large contract packages assigned to one contractor were terminated as a result of poor performance and subsequently retendered.¹⁹ All road contract groups were completed at a lower actual cost to original contract amounts. The quality of the rural road surfacing and flood-damaged gravel rural roads contracts was satisfactory. Overall, the road civil works contractor performance is rated *satisfactory*.

33. The pedestrian bridge construction was protracted, involving two contractors. The final contract cost was 8% higher than the contract amount. Some implementation delays were attributed to the limited experience of the contractors and engineering supervision for these bridge designs, as well as delays in importing bridge materials. The contractors were able to complete all bridges, and the overall quality was highly satisfactory. Overall, the bridge civil works contractor performance is rated *satisfactory*.

34. Although contracting for the rural market improvements was initially delayed due to some disagreement with local authorities on the selection of markets and designs, all 23 markets were upgraded within the project period, with construction commencing in June 2005. Delays were due to (i) markets designed without adequate consultation with *pradeshhiya sabhas* and traders; and (iii) lack of SPC supervision. Successive ADB project missions reported on

¹⁸ While the consultant's contract was not terminated, the final payment of \$19,000 was withheld.

¹⁹ This contractor has subsequently pursued legal action to prevent recovery of performance bonds. These actions continue at the time of this PCR.

these difficulties and recommended remedial action on a continuing basis between 2006 and 2009. The final contract cost was 14% higher than the contract amount due to variations for additional works. Since the contractors completed three markets over the target, overall, the market civil works contractor performance is rated *satisfactory*.

J. Performance of the Borrower and the Executing Agency

35. The borrower's performance is rated *partly satisfactory*. As previously stated, the EA role was transferred five times to five different ministries, which impacted the continuity of overall project supervision. Also, the project director changed three times, with the retirement of the first two project directors after serving 3-year terms. While the PMO staffing was generally satisfactory, there were delays in appointing and maintaining the head of the enterprise development and monitoring and evaluation unit. Civil works contract delays were partly due to slow PMO processing as well as the reluctance of *pradeshiya sabhas* to accept the rehabilitation of gravel rural roads. Key staff members of the same PMO were responsible for implementing a component of the Tsunami-Affected Areas Rebuilding Project, increasing their workload.

36. The borrower's performance had slowly improved during the first 3 years of project implementation, when the same delays were evident in tendering and procurement. Although the Provincial Project Management Committee (PPMC) was held on monthly basis, the National Project Coordination Committee organized by the EA was not held regularly to discuss implementation issues. The government PCR report also lacks key information.

37. The performance of NDB is rated *partly satisfactory* due to the slow mobilization of the initial credit funding of PFI subloans, slow mobilization of institutional support to PFIs, and the delayed establishment of the revolving fund by 3 years. During the project, the PMO indicated that NDB did not fulfill its project coordination requirements, particularly in relation to details of the accumulation and operation of the revolving fund after the initial credit line was disbursed to PFIs. The consultant's impact evaluation study commented that NDB performance as an independent implementer for disbursement of the credit line had not assisted the project positively, as NDB did not work with the EA (footnote 14, p. 51). During the PCR mission, it was disclosed that there have been two addendums to the subsidiary loan agreement that had not been referred to ADB for concurrence. Further, NDB submitted a project PCR that was incomplete, particularly regarding revolving fund information, and did not cover the recommended PCR content.

38. SPC established a monitoring mechanism to discuss project implementation issues and progress through the PPMC on a monthly basis, but NDB did not report to the PPMC on regular basis. Although the PPMC recommended remedial action for the implementation issues, some *pradeshiya sabhas* did not implement the recommendations. The EA had not established a proper monitoring system for the credit component with NDB. Therefore, implementation of the credit component was slow during the first half of the project.

K. Performance of the Asian Development Bank

39. The processing of the project was relatively short, taking 4 months from appraisal to Board approval in October 2001. Regular ADB missions were completed to facilitate loan effectiveness, and the inception mission was conducted 1 month after loan effectiveness. The project was delegated to the Sri Lanka Resident Mission on 1 March 2006. ADB undertook a total of 18 review missions to monitor, supervise, and administer the project. These provided

advice on technical issues; procurement procedures; bid document preparation, documentation, and evaluation; civil works quality assurance; and loan administration. The PCR mission found that although there was a delay in ADB approval for the government request of change of scope from the gravel roads to surface roads, ADB responded quickly to the government request including agreeing to include flood rehabilitation works in the project scope. ADB also used the project to address the emergency assistance request by the government following extensive flood damage to rural gravel roads and pedestrian bridges in May 2003. Throughout the project, ADB worked to facilitate progress resulting from procurement and contracting delays. Overall, the project benefited from the close consultation provided through the resident mission. The role played by ADB to achieve the project targets and intended benefits was rated by the government PCR as very positive and effective. Thus, the overall performance of ADB is rated *satisfactory*.

III. EVALUATION OF PERFORMANCE

A. Relevance

40. The credit component provided loans totaling SLRs1,003 million to 701 SMEs and 3,493 microenterprises, creating employment for 13,244 persons through the initial credit line. A further SLRs92 million was disbursed from the revolving fund by the project closing date. Civil works completed through the civil works component included (i) 126 km of paved roads and 102 gravel roads, (ii) 605 km of flood-damaged gravel roads, (iii) 19 new pedestrian bridges, and (iv) 23 rural markets upgraded. Both the credit loans and civil works contracts have stimulated private sector-led growth in rural areas of Southern Province through the creation and expansion of business and development and the strengthening of private sector contractors engaged in road, small bridge, and rural market civil construction. Rural infrastructure has also been improved to increase economic activities. Training and skills development with the rural *pradeshiya sabhas* improved operation, maintenance, and financial planning in many. Skills training for unemployed youth also helped them find employment. The PICs provided training and prepared management plans for the maintenance of markets by *pradeshiya sabhas*, although implementation has only proceeded in some *pradeshiya sabhas*.

41. The project objectives were in line with government ADB and strategies, although the balance between the credit component and civil works component was changed, with the credit impacts reduced. These changes were incorporated as a result of changing the government's policies as well as urgent basic needs of the rural community to carry out economic activities. The real social and economic impact of the project was ensured after the change of scope and implementing additional works under the civil works component. The rationale for the project is assessed as *highly relevant*.

B. Effectiveness in Achieving Outcome

42. The effectiveness in the credit component was variable, with the creation of subloans to stimulate private sector-led growth commencing slowly due to the late recruitment of the initial lead EDS provider. With the appointment of a replacement lead EDS provider, the component's effectiveness was clearly demonstrated in the rapid uptake of the reduced credit loan funding. During 2005–2007, 83% of the credit line was disbursed, compared with 16% of the credit line disbursed during 2003–2004, when the initial lead EDS provider was engaged and the PMO attempted to operate the EDS concept prior to the appointment of the replacement lead EDS provider. Disbursement of revolving fund was slow due its delayed establishment.

43. The PCR mission observed that the effectiveness of the civil works component when inspecting selected roads, pedestrian bridges, and rural market sites. The PMO also undertook sample surveys of rural community users of road segments, pedestrian bridges, and rural markets, as well as before and after indicators to demonstrate impacts (Appendix 4).

44. Rural road improvement generally involved widening 4–5 meters of right-of-way with a carriageway of 3 meters. The roads are used more (50% increase in pedestrians and 140% increase in vehicle traffic), and there has been a 140% increase in land values, with no increase in traffic accidents. The pedestrian bridges experienced an increase in daily use of 140% overall (business traffic increased some 370%), as well as a 50% increase in access to government offices, schools, hospitals, and industries. Daily vehicle traffic increased from 72 bicycles to 1,726 vehicles, and daily agriculture products carried across the bridges increased more than six times. Land prices have increased 170% and house prices 70%. Fatalities by drowning when crossing the river decreased from 7 to zero, and no falls from the permanent bridges have been recorded.²⁰ Journey distances have also fallen by 55%, and journey times have been reduced by 65%.

45. The rural markets also generated a significant growth in economic activity. The effectiveness of the market improvements was demonstrated through a 150% increase of revenue, with a 70% increase in operating stallholders on market days and an 80% increase in market shoppers. Weekly market turnover increased by 75%, recording an average weekly turnover increase from SLR4.6 million to SLR8.0 million. The annual income for *pradeshiya sabhas* from market operations increased 115%, with the market average increasing from SLRs0.8 million to SLRs1.7 million.

46. The effectiveness of institutional support and training is evident. Some EDS providers created strong, viable businesses providing advice to rural enterprises and undertaking other project support consultancies. The PMO conducted several capacity-development training programs for provincial council and local government staff, including the chairpersons of *pradeshiya sabhas*, to improve their technical and management capacity and institutional development (Appendix 5). The training included (i) computer training for financial management, (ii) administration and management training for SPC staff, (iii) technical training for road and market maintenance, and (iv) preparation of manuals for financial management and road maintenance. The annual income, management capabilities, and service delivery system of *pradeshiya sabhas* have improved. Since the project achieved all of its revised targets and additional works, the project is rated *effective*.

C. Efficiency in Achieving Outcome and Outputs

47. The project remained *efficient* despite major project changes and delayed performance of most components, although the efficiency of the credit component could not be reappraised fully because of the lack of subloan project data collected. Details of the economic and financial reappraisal are in Appendix 14. The PCR mission reviewed the methodologies, assumptions, and results of appraisal; followed the same methodology; and benefited from having actual project costs and post-project survey data on use of project roads and bridges as well as the market sales and rental revenue of the rural markets built.

48. The rural road civil works subcomponent recorded an economic internal rate of return (EIRR) of 21%, slightly below the 23% estimated during appraisal, and above the cut-off rate of

²⁰ Previously, 119 falls were recorded.

12%. This slightly lower result is due to various project delays and the high costs and lower distances associated with the change from rural gravel road maintenance to surfaced road provision. The reappraisal sensitivity analyses indicated that without the time cost savings, the rural roads had an EIRR of 12.6%. The switching value occurred with an 18.5% reduction in total benefits assumed. This result suggests that maintenance could be problematic, and if the *pradeshya sabhas* do not fulfill their responsibility for adequate maintenance, the economic returns could dip to unacceptable levels.

49. The pedestrian bridge civil works subcomponent recorded an EIRR of 24%, and the reappraisal sensitivity analyses indicated that the switching value occurs with a 40% reduction in total benefits assumed. As these civil works were not incorporated at appraisal, no appraisal indicators are available.

50. The market civil works subcomponent EIRR was 85%, compared to the 26% estimated during appraisal, due to a significant underestimation of the expected growth in market sales resulting from the new market locations (5% compared to the recorded increase of 75%). Sensitivity analyses indicated the robustness of these figures. A with- and without-project analysis of *pradeshya sabhas* revenues indicated that the largest market surveyed increased its annual revenue by SLRs2.5 million, compared with the large market example considered at appraisal, which expected an increase of SLRs1.3 million annually. The smaller markets surveyed recorded increases in annual revenue of SLRs0.9 million–SLRs1.5 million, compared with SLRs0.3 million anticipated at appraisal. A financial reappraisal of the markets recorded a financial internal rate of return (FIRR) of 10%. *Pradeshya sabha* revenue increased from 0.5% of total market turnover to 0.6% in the with-project situation, indicating that the *pradeshya sabhas* were able to increase collections at a slightly faster rate than total market sales. In view of the low FIRR, there is room to increase the collection rate to 1.0% or 1.5%, which would yield an FIRR of 12%–23%.

51. In measuring the efficiency of the credit component, the rates of return for the 10 indicative enterprises identified at appraisal were still applicable and considered economically viable, indicating their economic benefits to the local economy. Taking account of the employment impacts of the subloan projects as an alternative impact measurement, the project benefited from the favorable exchange rate movement of SDR and the Sri Lanka rupee, so that while the SDR loan amount was reduced from SDR10.855 million to SDR6.162 million (a 43% reduction) the Sri Lanka rupee value of disbursements was only reduced from SLRs1,270 million to SLRs1,094 million (a 14% reduction). Despite the fortuitous exchange rate movement, the employment generation targets at appraisal were underachieved, with actual employment opportunities only being 13,244, a shortfall of 34% below the lower end of the target range due to the reduction of the original allocation. The slow disbursement of the initial credit line, and NDB's failure to expedite the disbursement of the revolving fund, suggest this component is *partly efficient*.

D. Preliminary Assessment of Sustainability

52. The sustainability of the credit component is cause for concern because (i) with the subsidiary loan agreement between the government and NDB for the operation of the revolving fund expires on 31 January 2011, there is uncertainty over the further extension and operation of the revolving fund; (ii) the disbursement of the revolving fund credit line by NDB continues to be slow; (iii) NDB has relaxed the need for PFIs to utilize services of EDS providers; and (iv) NDB has reduced the flexibility of interest rate margins for PFIs, which limit their margins. ADB is discussing these concerns with the Ministry of Finance and Planning and NDB.

53. The project roads remain in good condition 2–3 years after their completion, though the hard shoulders are being encroached upon by vegetation and sidecutting, and general road maintenance is not adequately maintained by the *pradeshīya sabhas*. Some *pradeshīya sabhas* have allocated sufficient funds to a separate road maintenance account, and some that have made allocations have not yet proceeded to use the funds. If the reluctance to both allocate and expend funds on regular road maintenance continues, the integrity of the project roads will be in jeopardy. A similar situation applies to the pedestrian bridges, and while they are constructed with materials to minimize maintenance, there are already preliminary signs of deterioration requiring minor periodic maintenance, which should be carried out by SPRDA.

54. Rural market maintenance and sustainability are also of concern, as some *pradeshīya sabhas* have failed to implement the agreed market management plans to provide adequate facilities and labor for maintenance. During the PCR mission, the need for some building maintenance and market surface repairs was evident. The PCR mission considers the slow progress of the revolving fund as well as poor evidence of *pradeshīya sabhas* maintaining markets and roads in its rating of overall sustainability as *less likely*.

E. Impact

55. Any environmental impact of subprojects financed by the credit line was assessed, and environmental impact assessments were completed where appropriate. Localized problems of liquid and solid waste disposal, as well as noise and dust, did not present significant environmental issues. The PMO environment consultant also formulated appropriate guidelines for the project-related infrastructure. The rural roads works were mainly simple rehabilitation and maintenance works, and no serious environmental impacts were encountered, apart from some periods of dust. Road sections, where surfacing with asphalt and concrete were involved, generally featured only existing road alignments. By continuing to maintain rural roads, this subcomponent had a positive environmental effect by preventing sheet erosion and gulling. The rehabilitation of pedestrian bridges generally replaced existing poor-quality river crossings and had significant positive social impact. In the case of market upgrading, some noise, dust, and disturbance were experienced for a short period during the upgrading works, but the market sites were improved, with better drainage and traffic movement. Solid and liquid waste disposal at the markets was also improved through the plans prepared by participating *pradeshīya sabhas*.

56. The improved rural markets created an additional 4,000 market trader opportunities, some for new traders. By generating employment and upgrading business opportunities, the project addressed the key poverty issues, with some poor persons directly becoming microentrepreneurs. The beneficiaries of the project ranged from the economically disadvantaged poor to higher income groups, and the increased number of entrepreneurs improved the terms of trade for poor agricultural producers through the availability of credit and the creation of more effective local markets for their produce. The PMO undertook specific initiatives to enhance benefits to vulnerable groups, particularly unemployed youth and women. About 25% (2,998) of the employment created through the subloans was for women.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

57. The PCR mission rates the project *successful*. Even though it achieved fewer of its targets in the credit component due to delays in project implementation and reallocation of funds, the project design was relevant and its outcome effective and efficient, as it achieved additional outcomes through changing of scope and reallocations. The project achieved significant economic and social impact through improvement of paved rural roads, pedestrian bridges, and rural markets. It also achieved a good outcome through improving capacity of local authorities. Because of the poor performance of the initial lead EDS provider and the slow disbursement of the credit line during the first half of the project, the major change in scope and the reallocation of loan funds were approved from the credit line to the rehabilitation of flood-damaged roads, pedestrian bridges, and surfacing of the gravel roads. While it is recognized that the project offered the opportunity to mobilize funds quickly for these necessary works, the consequence was a shift in project focus away from the stimulation of economic activity to civil works designed to build the enabling environment. However, with the change of scope, the project achieved positive economic and social outcomes and output effectively and efficiently.

58. The sustainability of some subcomponents is less likely, particularly the continuing operation of the credit line through the revolving fund, as well as the ongoing maintenance of the rural markets. In terms of effectiveness, only the credit line and provision of project administration and management are rated *partly effective*. In terms of efficiency, the rural roads and bridges and provision of skills and capacity at provincial, local government, and EA levels of the project are considered efficient.

B. Lessons

59. The project was particularly effective in meeting the needs of the government. The project responded very effectively by repairing the damaged rural gravel roads and pedestrian bridges after the May 2003 floods. As requested by the government, the project also responded positively by changing its scope from gravel roads to paved surface roads. The responsiveness and flexibility demonstrated by the project was laudable, and the project provided a worthy example for the design and management of future projects.

60. Since the project had two implementing agencies supervised by different agencies, project coordination was difficult. A more suitable arrangement involving dual implementation agencies may be through a region-based apex financial institution, which is also assigned responsibility for establishment and operation of EDS support activities and works closely with the regional organization responsible for sustaining the enabling environment. During the design stage, project implementation arrangements and responsibilities of each agency should be clearly explained in the project administration memorandum.

61. Future projects need to address issues associated with the financial capacity of *pradeshiya sabhas* to develop and maintain rural infrastructure through closer monitoring, obtaining greater commitments from provincial and local organizations, and the use of soft loans for capital works tied to user-pay financial plans for civil works such as rural markets, where a financing charges mechanism already exists.

62. Future projects designed to address rural gravel road maintenance issues need to be more carefully designed through (i) identification of project roads during appraisal; (ii)

identification of suitable gravel sources in proximity of the project roads; and (iii) prior commitment from each *pradeshiya sabha* to participate in the project, including prior establishment and commitment of funds to a road maintenance account.

C. Recommendations

1. Project-Related

63. **Future monitoring.** To maintain the objective of stimulating regional economic growth, ADB and the EA should continue to monitor subloan disbursement of the revolving fund to measure the continuing economic impact on the development of existing and the creation of new SMEs, and the related employment impacts, particularly among minority target groups. Regular quarterly reports should be provided by NDB detailing approvals, disbursements, and the revolving fund balance. SPC should closely monitor maintenance of roads, markets, and bridges with *pradeshiya sabhas* and SPRDA.

64. **Covenants.** Covenant 14, requiring NDB to maintain a revolving fund for at least 15 years, should continue to be applied with close supervision by the Ministry of Planning and Finance. Covenants 12 and 13, stating that a participation agreement is to be signed between NDB and each PFI, should continue to be applied for the duration of the revolving fund.

65. **Further action or follow-up.** The government should take immediate action to help NDB implement the revolving fund through PFIs and in accordance with the current loan conditions.

2. General

66. The absence of an effective benefit and monitoring evaluation system, including the collection of detailed information on project performance variables, should be remedied in future projects, as this would form the basis for more effective PCR reports from EAs. A procurement specialist should be involved in missions to facilitate the procurement process and to provide early guidance on effective, efficient procurement of consultants and civil works.

PROJECT DESIGN AND MONITORING FRAMEWORK

Design Summary	Verifiable Indicators	Means of Verification	Assumptions and/or Risks	Achievements
<p>Sector or Area Goal</p> <p>Accelerate economic growth and employment opportunities in Southern Province</p>	Enhanced per capita regional gross domestic product and decreased unemployment rate	Economic monitoring and unemployment statistics	Stability in the macroeconomic and political environment	Unemployment rate reduced from 14.0% to 9.4% in 2009.
<p>Purpose</p> <p>Establish micro, small, and medium-sized enterprises</p> <p>Provide and maintain key economic infrastructure</p> <p>Enhance public sector capacity to facilitate and sustain private sector-led development activities</p>	<p>Increased number of enterprises</p> <p>Local government infrastructure upgraded and improved</p> <p>Private sector participating in project activities</p> <p>Financing allocated for infrastructure operation and maintenance</p>	<p>Enterprise licensing, progress reports, review missions</p> <p>Progress reports and review mission observations</p> <p>Review mission observations, PCRs, project performance audit reports</p>	<p>PFI and EDS providers continue to reach target groups with assistance.</p> <p>Proper identification of infrastructure to be upgraded and increased ability of local governments to mobilize funding for sustained maintenance</p> <p>Stable policy framework for decentralization and private sector promotion</p>	<p>The number of enterprises were increased.</p> <p>Rural roads, markets, and bridges were upgraded.</p> <p>Training was provided for <i>pradeshiya sabhas</i> to improve financial and technical capacity.</p>
<p>Outputs and/or Components</p> <p>EDS operating</p> <p>PFI disbursing term loans</p>	<p>Four to five EDS agencies recruited and active in the project area</p> <p>8,500 micro, small, and medium-sized loans made to entrepreneurs</p>	<p>Physical observation, review missions, progress reports</p> <p>Progress reports of PFIs, review missions, project benefit and monitoring</p>	<p>Agencies can mobilize qualified staff and design programs for Southern Province during start-up period.</p> <p>PFI staff can work closely with EDS agencies to assess and finance small entrepreneurs' needs.</p>	<p>One lead EDS and 23 EDS providers operated.</p> <p>701 small and medium-sized and 3,493 micro enterprises benefited.</p>

Design Summary	Verifiable Indicators	Means of Verification	Assumptions and/or Risks	Achievements
Markets upgraded and operating	20 markets upgraded	evaluation reports Physical observation, progress reports, PCRs	Markets that meet selection criteria can be identified within project period.	23 markets were upgraded.
Rural roads upgraded and being maintained	1,050 km of key rural access roads kept in operational condition and long-term maintenance financing identified (this was reduced to 200 km of paved roads and 170 km of gravel roads by the major change of scope)	Physical observation, progress reports, PCRs	Financing sources available to local councils are adequate to allow recurrent budgeting for maintenance.	After change of scope, 102 km of gravel roads, 161 of asphalt surface roads, 65 km of concrete roads, 605 km of flood-damaged rural gravel roads, and 19 pedestrian bridges were completed.
Institutional support provided to the public sector	PMO functional, and <i>pradeshhiya sabhas</i> undergoing financial upgrading	Physical observation, progress reports	Competent consultants recruited, timely appointment of staff, timely selection of personnel for training	Financial management and technical capacity of <i>pradeshhiya sabhas</i> were upgraded by providing training and computers.
1. PMO set up and operating	SPC staff time and consulting services, and advisory consulting services	Physical observation, inception report	SPC can field staff expeditiously.	
2. Contracts with EDS agencies signed	Advisory consulting services, provision of funds	Signed contracts	Willingness of agencies to participate in project at negotiated rates	
3. EDS staffed and operating	EDS staff inputs	Progress reports, review missions	Competent staff can be recruited and trained; enterprise packages can be developed.	
4. Entrepreneurs	Consulting	Progress	Entrepreneurs are	

Design Summary	Verifiable Indicators	Means of Verification	Assumptions and/or Risks	Achievements
provided guidance and training	services, project management staff time	reports, observation	interested in services provided.	
5. PFIs selected	PFI staff time	Agreements with PFIs signed	Qualified and interested PFIs exist in the project area.	
6. Credit funds disbursed	PMO staff time, local government staff time, consulting services	Progress reports	Viable subproject proposals are received from entrepreneurs.	
7. Markets and other infrastructure selected for improvement	Civil works contracts, PMO staff time, local government staff time	Progress reports	Need for upgrading felt among local government representatives.	
8. Markets and other infrastructure improved and functioning		Progress reports, physical observation, PCRs	Competent supervision by the PMO, competent contractors chosen	
9. Road links chosen for transitional maintenance	PMO staff time, local government staff time, consulting services	Progress reports	Local government officials can prioritize important road links.	
10. Maintenance funding handed over to local governments	Local government staff time and consulting services	Progress reports, PCR, performance audit reports	Willingness of local governments to improve their budgeting procedures	
11. Capacity building training carried out	Consulting services and staff time	Progress reports	Capacity of budget to accommodate recurrent expenditures required. Interest in capacity upgrading exists in Ministry of Plan Implementation, SPC, and local governments.	

EDS = enterprise development service, km = kilometer, PCR = project completion report, PFI = participating financial institution, PMO = project management office, SPC = Southern Provincial Council.

PROJECT OUTPUT COMPONENT SUMMARY

A. Part I: Stimulating Economic Growth

1. Enterprise Development Services

1. The majority of small agriculture producers and entrepreneurs in Southern Province lacked technical and market information, skills, access to financial services, and market links. They needed assistance and advice on possible economic ventures with initial design, appraisal, and costing; technical and financial management; identification and provision of technologies; identification of potential markets; and sources of training and information. Thus, the project facilitated the development and expansion of enterprise development service (EDS) providers, built synergy among them to access and share information, and created an environment for competitive services.¹

2. A primary objective was to provide training and guidance to participants in the project's credit component. Equally important was the setting up and strengthening of enterprise development advisory units and enterprise information services. Other activities undertaken included an inventory of potential agribusiness opportunities within the project area; identification of markets and technology links for new and existing products; direct provision of advice for larger business proposals; provision of technical support and information links for EDS providers; and direct advisory support to special lending programs of financing institutions participating in the credit line.

3. The lead EDS provider (i) facilitated and trained EDS providers on skills development, business plan preparation, and identification of viable and potential sectors and prospective entrepreneurs; (ii) prepared eight investment sector profiles; and (iii) conducted loan camps in project districts to create credit demands and an enterprising culture. In the initial stage, there were 72 EDS providers registered, and at project completion, 23 EDS providers were in operation with varying degrees of success. As of December 2009, around six EDS providers were operating very successfully, having branch offices beyond Southern Province.²

4. During the course of the project implementation, the first lead EDS provider was replaced by another private sector organization. Then, in March 2007, this was replaced by the Southern Province Development Authority (SPDA). This role was a key element of the project design but full benefits were not achieved due to (i) a long delay in the appointment of the initial lead EDS provider, 1 year after the establishment of the PMO; (ii) poor performance of the initial lead EDS provider during the 15-month period of engagement before its termination; and (iii) an 11-month delay in appointing a replacement lead EDS provider in March 2006.³ During the 2-year engagement period of the replacement LEDES provider, subloan approvals surged, largely a result of its successful performance, thus demonstrating the value of the role as a catalyst for subloan generation.

¹ Through engagement of a lead EDS provider, as a private sector partner that possessed adequate background and experience in supporting enterprise development in the agriculture sector, had links with the agribusiness community, and was willing to provide technical support to the project office for the duration of the project.

² Government of Sri Lanka, Ministry of Nation Building. 2009. *Southern Province Rural Economic Advancement Project Impact Evaluation Study*. Galle.

³ Initially, the project management office (PMO) sought to undertake the lead EDS provider role, so a technical proposal from the second-ranked bidder in the initial selection process was not requested until 7 months after the termination of the initial lead EDS provider.

2. Credit for Economic Growth

5. The credit component was administered by the National Development Bank (NDB) as the apex agency for channeling subloan disbursement funds to participating financial institutions (PFIs). At project appraisal, the maximum subproject size was pegged at SLRs7.0 million for small enterprises and SLRs0.5 million for microenterprises. The Asian Development Bank (ADB) credit line supported 70% of the total subproject cost, PFIs were to contribute 10%, and the balance was contributed by the subborrower. In March 2005, ADB agreed to provide 88% of each credit line subloan, with the balance from the PFIs, and the subborrower's contribution in in kind or in cash in addition to the total value of the subloan.

6. The PFIs were expected to provide credit loans to finance medium- and long-term investment needs of about 1,500 small and medium-sized enterprises (SMEs) and about 7,000 microenterprises.¹ The actual number of credit loans provided was only 701 to SMEs and 3,493 to microenterprises, a shortfall of 51%. The main reasons for this shortfall were the average loan amount of SLRs0.250 million and the reallocation of funds. The SDR loan amount for this component was reduced from SDR10.855 million to SDR6.162 million (43% reduction); however, the Sri Lanka rupee value of disbursements was only reduced from SLRs1,270 million to SLRs1,094 million (a 14% reduction).²

7. Similarly, the employment generation target at appraisal (i.e., 20,000–25,000 new job opportunities) was underachieved, with actual employment opportunities only reaching 13,244 (9,812 males and 3,432 females). This shortfall—34% below the lower end of the target range—was primarily due to poor performance of PFIs and the lead EDS provider at the initial stage of the project, as well as the reallocation of loan funds. However, the revised allocation under the credit component was fully utilized 1 year before the project closing date. In addition, significant accumulated recoveries collected through the revolving fund allowed a further 1,465 projects to be approved, involving total loans of SLRs497.5 million, though only 647 projects and SLRs219 million were disbursed by project completion.

8. The revolving fund was opened by NDB after a 4-year delay. At project completion, there was an unutilized revolving fund of SLRs550 million. NDB's subsequent failure to mobilize revolving fund disbursement has constrained the fund's continuing impact and effectively stifled the ongoing development of EDS, which NDB and PFIs have failed to endorse.

9. NDB blamed delays in credit subloan disbursement on implementation arrangements, although this is not supported by interest rate data available from Central Bank of Sri Lanka (CBSL). NDB argued that the anchor average weighted deposit rate (AWDR) for onlending to PFIs resulted in high onlending interest rates to the PFIs that in turn required PFIs to pass on subloan interest rates higher than the subborrowers were prepared to accept. Appendix 10 details the banking system interest rates over the project period, comparing AWDR with the average weighted prime lending rate (AWPLR).

10. NDB used the 6-month AWDR as the anchor rate rather than the fixed term rate, which includes longer-term rates more appropriate for the credit subloan lending terms. The margin

¹ Small enterprises were defined as those with fixed assets, excluding land and buildings, of not more than SLRs7 million on subproject completion. Microenterprises were defined as those having fixed assets, excluding land and buildings, of not more than SLRs0.500 million on subproject completion.

² The component was reduced from \$20.0 million at appraisal to \$9.5 million at project completion.

between the AWPLR and AWDR reflects the PFI margins related to secured loans to established customers of good credit standing and were lower than the margins applied to project subloan lending. Over the project period, the AWRD was relatively stable between 2003 and 2006, rising to 8.0% in 2008, peaking at 11.5% in 2009, before falling to 7.0% in 2010. However, during these fluctuations in the AWRD, the AWPLR was similarly fluctuating, so that the margin for lending was maintained by PFIs in the band of 5.0%–8.5%, falling to 3.5% in 2010. Therefore, using the anchor AWRD rate was consistent with maintaining the current market interest rate. It is more likely that the cause of slow acceptance of subloans by subborrowers was due to the availability of other low-interest microcredit loans at subsidized interest rates that distorted the lending market rates.

Table A2.1: Bank Interest Rate Movements during Project Period
(%)

Year	6-Month Term Rates			Fixed Deposit Rates
	AWPLR	AWDR	Margin	AWDR
2001	19.82	11.24	8.59	14.59
2002	13.33	8.72	4.61	12.31
2003	10.40	5.64	4.77	8.30
2004	9.46	5.05	4.41	6.82
2005	10.88	5.72	5.16	7.82
2006	12.69	6.95	5.74	9.80
2007	16.75	8.32	8.43	13.16
2008	18.42	10.58	7.84	16.14
2009	18.38	11.48	6.90	15.26
2010	10.68	7.26	3.42	9.40

AWPLR = average weighted prime lending rate, AWDR = average weighted deposit rate.

Source: Central Bank of Sri Lanka.

11. Despite the fortuitous movements in the SDR and Sri Lanka rupee exchange rates during the project, the outputs for this component fell short of the appraisal targets in actual and proportionate terms. The consequence of such a large reduction of funds disbursed for the credit component in SDR and US dollar terms shifted the focus of the project design away from generating income and employment directly through improved access to credit loans for SMEs toward a focus on improving the enabling rural infrastructure.

B. Part II: Sustaining the Enabling Environment

1. Rural Infrastructure

12. The civil works component, aimed at sustaining the enabling environment, constructed or upgraded (i) 102 kilometers (km) of gravel roads, (ii) 161 km of asphalt surface roads, (iii) 65 km of concrete pavement roads, (iv) 605 km of flood-damaged gravel roads, (v) 19 new pedestrian bridges, and (vi) 23 rural markets. Details are provided in Appendix 3.

13. **Rural road improvement.** Southern Province has about 7,000 km of rural roads. Generally, they are not constructed to required standards, are in poor condition, and are not properly maintained. Rehabilitation of rural roads was expected to provide easy, quick, and less expensive access, communication, and transport. At appraisal, 1,049 km (roughly 29 km per *pradeshiya sabha* or local government) of economically important gravel roads were to be improved to a condition in which they were maintainable by the *pradeshiya sabhas*. This target was reduced to 10 km per *pradeshiya sabha* (of which 1 km was designated as demonstration

roads) in October 2006.¹ The government cited (i) government policy to improve rural roads with paved surfaces, (ii) scarcity of the right type of gravel in the project area, (iii) limited laboratory facilities for testing samples of gravel, (iv) contractors' tendency not to use the right type of gravel, (v) heavy dust and health problems arising from gravel roads, (vi) increased traffic on selected roads, and (vii) gravel roads not being preferred by politicians and beneficiaries.²

14. Preparation of tender packages, construction supervision, and quality control was provided by trained technical staff. The number of roads and km by district are included in Table A2.2. The shift of the project design away from the maintenance of rural gravel roads to the creation of fewer asphalt and concrete pavement roads has not led to a significant increase in the capacity of *pradeshiya sabhas* to maintain rural roads. However, the creation of improved rural road infrastructure has decreased the rural road maintenance costs for *pradeshiya sabhas* in the short term, although it requires a higher level and cost of road maintenance in the future.

Table A2.2: Completed Rural Roads
(kilometers)

District	First Phase: Gravel Roads			Second Phase: Surfaced Roads out of Improved Gravel Roads		
	Demonstration	Subbased	Total	Asphalt	Concrete	Total
Galle	16	119	135	74	3	77
Matara	7	102	109	33	45	78
Hambantota	8	76	84	54	18	72
Total	31	297	328	161	65	226

Notes: Selected gravel subbased roads were resurfaced with asphalt and concrete. Concrete was used in steep sections.

Source: Project management office.

15. **Flood-damaged rural roads and bridges.** Flood damage rehabilitation works, following major floods that occurred in May 2003, included the repair of rural roads and pedestrian bridges. This component comprised the rehabilitation of 605 km of flood-damaged roads, and this work was completed satisfactorily without significant contract delays. Many footbridges³ were washed away or completely destroyed by the floods, and the destruction of these bridges and roads caused immediate and severe impacts on the livelihoods of communities, with children lacking a safe mode of transport to and from schools.

16. Under this subcomponent, the project successfully rehabilitated 605 km of rural gravel roads and built 19 steel pedestrian bridges. The bridge subcomponent was highly successful and made a significant contribution in improving the living conditions of the communities. These works determined a range of unanticipated benefits (footnote 22, pp. 61–62) including (i) improved social coherence among the communities; (ii) use of three-wheel vehicles as the main mode of transport for schoolchildren; (iii) new bus services on routes where no services had been previously available; (iv) a sense of confidence and safety among women and children as well as the sick and elderly; (v) community participation in sustainable management of the pedestrian bridges; (vi) elimination of the risk of accidents, such as villagers and schoolchildren falling into the river; (vii) increased property values; and (viii) improved community health

¹ At this time, the overall progress of the civil works was unsatisfactory due to the PS disagreement on using gravel for road improvement, with only 326 km of gravel roads completed up to subbase level.

² The Prime Minister intervened and requested a special meeting with the ADB Special Project Administration Mission on 11 May 2004.

³ Many of these footbridges were temporary, fragile arrangements made out of wood used to cross rivers.

conditions, as a result of more visits by government officials, as well as easier access to hospitals.¹

17. As rehabilitation works were incorporated in the project after appraisal, no assessment of actual performance to expected outputs is possible. However, this subcomponent made a significant contribution to sustaining the environment for rural economic growth.

18. **Rural market improvement.** The subcomponent providing market upgrading was designed to improve a selection of the 92 formal markets in Southern Province that were in poorly developed and maintained.² These markets represent an important source of direct revenue, and it was envisaged that the improvements could result in a substantial increase of revenue and provide better management. As they provide the foremost marketing channel for fresh produce and constitute accumulation points for the transport of produce to other parts of the country, they could provide a stimulus to rural economic growth. At appraisal, it was envisaged that 20 markets would be upgraded, and the output from this subcomponent resulted in 23 market upgraded as requested by the government.

19. Implementation of this subcomponent initially experienced lengthy delays due to the lack of engineering staff for design, cost estimation, preparation of tender documents, and supervision. Disagreements between implementing agencies and *pradeshiya sabhas* on designing and location of project activities also delayed implementation. The Urban Development Authority was commissioned to prepare detailed market designs in February 2005, and contracts for individual market works were awarded from May 2005 with water, sanitation, and electricity facilities for sellers and consumers.

20. A survey, conducted by the project management office (PMO) covering the before and after operations of nine markets where improvement works had been undertaken, showed (i) the average weekly market turnover increased by 75%; (ii) average number of consumers increased by 79%; (iii) average number of traders increased by 70%; (iv) average number of stalls increased by 67%; and (v) average annual income for *pradeshiya sabhas* increased by 115%. Opinions on service and other improvements were all positive, although during the project completion report (PCR) mission inspection of selected markets, there was still room for further improvements in the cleaning and maintenance of these markets. Survey details are provided in Table A4.2.

2. Technical and Financial Capacity Building of Local Governments

21. This component, designed to enhance the technical and financial capacity of local governments to maintain rural infrastructure, recognized that the *pradeshiya sabhas* required advice on how to make best use of their financial resources and their legislated income-generating powers to fulfill their local government mandates. The provision of advice and training on sound financial management and resource utilization for staff and elected members was undertaken as an integral part of the package of rural road and market upgrading activities. Such advice was provided on a one-to-one basis by public finance advisors. Technical officers attached to the *pradeshiya sabhas* were also trained on leveling, surveying, soil testing, AutoCAD drafting, and estimation and tender procedures. This training was assessed to be very

¹ At Maramba Walihena, as many as 15 deaths were reported; pedestrians fell into the river prior to completion of the new bridge. Also, a one-perch property in the village of Batuwangala worth SLRs5,000 before construction of the bridge sold for SLRs10,000 after bridge completion.

² These open markets sell vegetables, fruits, fish and meat, and household items.

effective, and the technical officers developed confidence in performing their activities effectively (footnote 22, p. 17).

22. The project implementation consultants also provided training to *pradeshiya sabha* chairpersons and staff in all 36 *pradeshiya sabhas* on the local government accounting system, preparation of final accounts, generation of additional revenue, and improved budgeting and assets management. Consultants developed documents, covering systems and procedures on the above fields, to be followed by the *pradeshiya sabhas*. Most *pradeshiya sabhas* improved their financial management capacities. Those local authorities, who have not prepared their annual accounts for years, cleared their arrears and completed final accounts for 2008 and 2009 during the stipulated period. Four *pradeshiya sabhas* have received satisfactory audits by the auditor general. Appendix 5 indicates details of the training programs.

3. Skills Development to Facilitate Private Sector Participation in Rural Development

23. This component, providing skills and capacities to the executing agency to facilitate private sector participation in rural development, was designed to assist formulation of policy and regulatory issues in the sectors promoted under the project. The executing agency at the end of the project was the Ministry of Nation Building and Estate Infrastructure Development, and the project was implemented by the Southern Provincial Council (SPC) with the assistance of NDB for the credit component. Monitoring of project progress was carried out by the Provincial Project Management Committee, chaired by the SPC chief secretary at the provincial level and the PMO at the district level.

24. Training was provided to SPC and PMO on enterprise development, business promotion and marketing, as well as public relations and information management. Briefings were provided for the elected members and staff of the *pradeshiya sabhas* on the intent and implementation arrangements for the project to facilitate their participation and ensuring that they maximized potential benefits from the project. Courses and seminars in governance, public management, public accountability, interaction with the private sector, and development planning were also provided. SPC received support to undertake special policy studies, to upgrade skills and equipment in its Department of Local Government, and to strengthen and fully utilize the existing Provincial Management and Training Institute at Wakwella as a venue for project-related training programs. At the national level, project support was provided to establish and equip a private sector promotion and policy unit under the executing agency. This unit developed strategies to enhance working relationships and coordination with the private sector and worked on key policy and regulatory issues in the sector.

4. Project Management Office Component

25. This component was provided as determined at appraisal. A professionally administered PMO was established within 2 months of loan approval to coordinate and monitor project activities. The PMO coordinated with and contracted EDS providers, coordinated with PFIs, set up and supported enterprise development and information centers, administered the civil works component, and undertook project implementation monitoring and evaluation tasks. District PMOs were established in the three districts to implement and monitor the project activities at the district level. Incremental staff, equipment, and materials needed by the Department of Local Government to supervise and implement the rural road and market improvement activities were

provided, along with training for project and Department of Local Government staff on subjects and activities relevant to their duties under the project.

26. PMO staff and selected Department of Local Government staff were trained in project management, monitoring, and supervision through the selected training programs. After the December 2004 tsunami devastated Southern Province's coast, ADB provided emergency assistance through the Southern Province Reconstruction component of the Tsunami-Affected Area Rebuilding Project to rehabilitate the damaged infrastructure. ADB and the government decided to implement this project through the PMO with same key staff as the Southern Province Rural Economic Advancement Project. The PMO staff implemented both projects from May 2005.

ROADS, PEDESTRIAN BRIDGES AND MARKETS DETAILS
Table A3.1: Demonstration Gravel Rural Roads

Contract Number	Name of Road	Contractor Name	Roads no.	PS Area	Length of Road km		Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs millions	
					Target	Actual			Original	Actual	Original	Actual
Galle District												
731026	Manawila Kabarayamulla Rd	N.M.G.I. Asoka	1	Akmeemana	1.00	1.00	20.08.2003	01.09.2003	07.01.2004	15.07.2004	1.97	0.96
732019	Benwila Rd	Sripali Contractors	1	Ambalangoda	1.50	1.50	20.08.2003	01.09.2003	07.01.2004	15.07.2004	1.10	1.06
733004	Niyagama Pitadeniya Rd	R.P. Kumarage	1	Baddegama	1.00	1.00	20.08.2003	01.09.2003	07.01.2004	15.07.2004	1.59	0.20
734020	Puwakgahabokka Batukanaththa Rd	P.J.H. Construction	1	Balapitiya	1.00	1.00	20.08.2003	01.09.2003	07.01.2004	15.07.2004	1.04	0.96
735044	Delkabalagoda Junction to Kekirigashena Rd	S. Sachchchyananda	1	Bentota	1.00	1.00	12.08.2004	25.08.2004	30.11.2004	31.03.2005	1.30	1.07
736039	Opatha Haggodaduwa Rd	R.P. Kumarage	1	Bope-Poddala	1.00	1.00	12.08.2004	18.08.2004	30.11.2004	27.02.2005	2.19	2.53
737037	Ganegoda Wathurawila Bogaha Junction	Hansagiri Contractors	1	Elpitiya	1.00	1.00	20.08.2003	01.09.2003	30.12.2004	30.12.2004	1.89	1.00
738010	Santhosagama Pelessa Rd	H. Illeperuma	1	Habaraduwa	1.00	1.00	20.08.2003	01.09.2003	12.12.2004	14.10.2004	0.97	1.09
739030	Kekillamandiya Rd	Vinith Kantha De Silva	1	Hikkaduwa	1.00	1.00	20.08.2003	01.09.2003	12.12.2004	14.10.2004	1.13	1.07
740032	Kopikade Junction to Unagaswala Rd	S.P. Priyankara W.K.T.	1	Karandeniya	1.27	1.27	20.08.2003	01.09.2003	12.12.2004	14.10.2004	1.03	0.89
741015	Urala Jambugahawila Rd	Darmawardana	1	Nagoda	1.00	1.00	20.08.2003	01.09.2003	11.12.2005	14.01.2005	1.30	0.65
742003	Neluwa Udawala Rd	K.N.S. Construction	1	Neluwa	1.00	1.00	20.08.2003	01.09.2003	09.12.2005	28.02.2005	1.94	1.04
743034	Bambarawana Hiniduma Rd	S.P. Priyankara	1	Niyagama	1.00	1.00	20.08.2003	01.09.2003	12.12.2004	14.10.2004	1.30	0.84
744015	Jesminevally Thawalama Mukalana Rd	Ranweli Pvt. Ltd.	1	Thawalama	1.00	1.00	20.08.2003	01.09.2003	13.12.2004	30.10.2004	1.57	1.25
745042	Maragasduwa Wadiyawatta Rd	A. Jayasinghe	1	Yakkalamulla	1.05	1.05	20.08.2003	01.09.2003	12.12.2004	15.06.2004	1.02	1.21
Subtotal			15		15.82	15.82					21.32	15.81
Matara District												
CLG/LCB/MAT/01	Andadola junction to Dandana Kolaniya	G.H. Ariyadasa	1	Matara	1.00	1.00	15.07.2003	12.09.2003	12.12.2004	12.12.2004	2.89	2.16
CLG/LCB/PAS/01	Gaiketiya Kanda Gomila Rd	G.H. Ariyadasa	1	Pasgoda	1.00	1.00	12.10.2003	14.12.2004	10.03.2005	12.03.2005	2.27	2.39
CLG/LCB/THI/01	Yatiyana Atikehelara Rd	Liyanaarachchi Builders	1	Thihagoda	1.00	1.00	22.07.2004	19.08.2004	09.11.2004	14.11.2004	2.10	2.43
CLG/LCB/WEL/01	Delkabalagoda Junction to Kekirigashena Rd	A.G.M. Bogahawatta	1	Weligama	1.00	1.00	14.08.2003	12.09.2003	07.12.2003	12.12.2003	2.67	1.89
ACLGM/LCB/AKU/1	Halgoda Pinnapola Rd	Rathnayaka Builders	1	Akuressa	1.00	1.00	18.12.2003	08.01.2004	03.01.2004	05.01.2004	1.13	1.34
ACLGM/LCB/DIK/1	Hanwella Polpitiya Rd	U.K. padmathilaka	1	Dickwella	1.00	1.00	01.12.2003	15.01.2004	17.12.2003	18.12.2003	1.65	1.76
ACLGM/LCB/HAK/1	Narawalpitiya (North)	Napatha Ella	1	Hakmana	1.00	1.00	15.07.2004	29.08.2004	30.07.2004	01.07.2004	1.45	0.92
ACLGM/LCB/KOT/1	Welipotha Rd	Construction	1									
A	Miriswatta Rd	W.D. Karunadasa	1	Kotapola	1.00	1.00	06.06.2006	20.06.2006	22.06.2006	24.06.2006	2.94	0.21
ACLGM/LCB/MAL/1	Deddugoda Karantholla Rd	R.S. Abeywickrama	1	Malimboda	1.00	1.00	12.12.2003	26.01.2004	24.12.2003	24.12.2003	1.32	1.27
			11		7.00	7.00					21.50	16.94

Subtotal

Contract Number	Name of Road	Contractor Name	Roads no.	PS Area	Length of Road km		Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs millions	
					Target	Actual			Original	Actual	Original	Actual
	From Bamunumulla to Mahamadawala Rd	N.K. Somasiri	1	Mulatiyana	1.00	1.00	10.12.2003	05.01.2004	25.12.2003	25.12.2003	1.52	1.45
	Thalalla Midellamuraya Rd	Iresha Construction	1	Devinuwara	1.00	1.00	20.02.2002	05.02.2002	08.01.2003	08.01.2003	1.56	1.12
	Hambantota CLG/LCB/KAT/1	Ambagahahena Warapitiya Rd	1	Katuwana	1.00	1.00	02.01.2006	03.02.2006	07.05.2006	07.06.2006	1.83	1.34
911009	Angunukolawala Rd	Gunarathna Const. Chandrasiri	1	Ambalantota	1.00	1.00	03.03.2006	07.04.2006	03.07.2006	05.08.2006	1.42	1.10
932043	Siyambalagaswewa Jandura Rd	B.K. Gunadasa	1	Angunukolapelessa	1.00	1.00	03.03.2006	07.04.2006	03.07.2006	06.08.2006	1.34	1.10
933041	Pallaththara Pattiyawela Rd	S. Sachchiananda Susantha Chandrasiri	1	Beliatta	1.00	1.00	01.04.2006	05.05.2006	03.08.2006	03.08.2006	1.35	0.90
934032	Koggalla Thelawila Rd	Chandrasiri	1	Hambantota	1.00	1.00	02.02.2006	07.03.2006	08.06.2006	08.06.2006	1.92	1.75
936018	Maththala Pahala Maththala Rd	H.L. Premachandra Darmapala	1	Lunugamwehera	1.00	1.00	02.02.2006	04.03.2006	06.06.2006	05.07.2006	1.28	1.21
937042	Rekawa (in front of School) Rd	Maddumage	1	Tangalle	1.00	1.00	02.02.2006	12.03.2006	10.06.2006	10.06.2006	1.16	1.04
939022	Meegasara Kudabibula Kapuwatta Rd	S. Sachchiananda	1	Weeraketiya	1.00	1.00	03.04.2006	06.05.2006	04.08.2006	05.08.2006	1.55	1.04
908013	D.D. Senanayaka Rd	A.I.M.M. Umar	1	Tissamaharama	0.80	0.80	03.04.2006	12.07.2006	04.10.2006	04.10.2006	2.84	1.75
Subtotal			9		7.80	7.80					14.69	11.24
Total			35		30.62	30.62					57.52	43.99

km = kilometers, No. = number, PS=Pradeshiya Sabha, SLR=Sri Lanka rupee, VAT= value-added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office.

Table A3.2: Improved Gravel Rural Roads at the First Phase

Contractors no.	Roads no.	PS Area	Length of Roads (km)		Contract Tender Date	Contract Award Dates	Contract Completion Date		Contract Value (with VAT) SLRs millions	
			Target	Actual			Original	Actual	Original	Actual
Galle District										
4	5	Akmeemana	8.93	8.93	Various	Sep 2004 – Oct 2005	Jan 2006	June 2006	8.72	8.10
3	6	Ambalangoda	6.15	6.15	Various	Aug 2004 – Mar 2006	June 2006	June 2006	11.88	11.71
4	4	Baddegama	9.50	9.50	Various	Aug 2004 – Nov 2006	Feb 2007	May 2007	5.38	5.00
4	3	Balapitiya	8.37	8.37	Various	Aug 2004 – Sep 2004	Dec 2004	June 2006	9.52	9.25
2	3	Bentota	7.94	7.94	Various	Feb 2005 – July 2005	Oct 2005	June 2006	4.46	4.10
4	1	Bope-Poddala	6.15	6.15	Various	Sep 2004	Dec 2004	June 2005	0.58	0.09
6	7	Elpitiya	9.10	9.10	Various	Aug 2004 – Nov 2005	Feb 2006	May 2006	10.61	10.00
3	3	Habaraduwa	8.50	8.50	Various	Nov 2004 – May 2005	Aug 2005	June 2006	8.55	7.26
3	4	Hikkaduwa	9.10	9.10	Various	Aug 2004 – Sep 2004	Dec 2004	July 2006	13.73	13.32
2	2	Karandeniya	8.81	8.81	Various	Aug 2004 – Oct 2004	Jan 2005	Dec 2006	6.44	6.13
2	4	Nagoda	8.01	8.01	Various	July 2004 – Feb 2006	May 2005	Dec 2006	8.23	8.01
2	1	Neluwa	6.35	6.35	Various	Sep 2004	Dec 2004	Aug 2006	4.79	4.76
3	5	Niyagama	8.97	8.97	Various	Oct 2004 – Dec 2005	Mar 2006	Dec 2006	7.49	5.31
4	2	Thawalama	3.53	3.53	Various	Sep 2004	Dec 2004	May 2006	2.61	2.18
4	3	Yakkalamulla	9.91	9.91	Various	Sep 2004 – Apr 2005	July 2005	June 2006	7.32	6.68
50	53		119.32	119.32					110.31	101.90
Matara District										
4	2	Akurassa	9.81	9.81	Various	Nov 200 – 4 Apr 2005	July 2005	May 2006	16.72	16.21
6	7	Devinuwara	7.14	7.14	Various	May 2005 – Nov 2005	Feb 2006	Apr 2006	7.34	7.04
5	5	Dickwella	8.78	8.78	Various	Oct 2004 – June 2005	Sep 2005	Mar 2006	16.45	14.38
5	4	Hakmana	8.83	8.83	Various	Sep 2004 – June 2005	Sep 2005	Feb 2006	14.14	11.41
4	6	Kamburupitiya	9.02	9.02	Various	Mar 2005 – Aug 2005	Nov 2005	Apr 2006	15.09	13.64
4	4	Kotapola	9.13	9.13	Various	Oct 2004 – Apr 2005	July 2005	May 2006	13.11	8.27
4	3	Malimbada	8.70	8.70	Various	Aug 2005 – Sep 2005	Dec 2005	June 2006	15.58	12.43
5	6	Matara	7.25	7.25	Various	Nov 2004 – May 2005	Aug 2005	May 2006	7.12	7.21
5	5	Mulatiyana	9.34	9.34	Various	Sep 2004 – Sep 2005	Dec 2005	Dec 2006	13.54	11.02
4	4	Pasgoda	7.70	7.70	Various	Oct 2004 – Mar 2005	June 2005	May 2006	10.36	8.52
6	6	Tihagoda	7.84	7.84	Various	Sep 2004 – Aug 2005	Nov 2005	June 2006	12.15	12.03
5	7	Waligama	8.42	8.42	Various	Nov 2004 – June 2005	Sep 2005	July 2006	10.81	10.67
57	59		101.96	101.96					152.41	132.83
Hambantota District										
4	4	Ambalanthota	8.40	8.40	Various	Aug 2004 – May 2006	Aug 2006	May 2006	13.43	13.36
3	3	Angunukolapalassa	7.10	7.10	Various	Aug 2004 – Dec 2004	Mar 2005	June 2006	8.83	8.75
5	5	Beliaththa	8.52	8.52	Various	Aug 2004 – May 2006	Aug 2006	July 2006	10.27	9.25
1	1	Hambantota	9.00	9.00	Various	Aug 2004	Nov 2004	Aug 2006	9.85	9.28
3	4	Katuwana	9.25	9.25	Various	Mar 2005 – July 2005	Oct 2005	Oct 2006	9.91	9.50
2	5	Tangalle	7.90	7.90	Various	Aug 2004 – Sep 2004	Dec 2004	July 2006	7.62	7.53
2	2	Tissamaharama	6.90	6.90	Various	May 2005 – June 2005	Sep 2005	Aug 2006	12.06	7.48
3	3	Weerakatiya	9.01	9.01	Various	Feb 2005 – Oct 2005	Jan 2006	Mar 2007	9.17	8.41
2	2	Lunugamwehera	10.10	10.10	Various	Sep 2004 – June 2005	Sep 2005	May 2008	21.03	19.30
25	29		76.18	76.18					102.17	92.86
Total	132	141	297.46	297.46					364.89	327.59

Km = kilometers, No. = number, PS= Pradeshiya Sabha, SLR=Sri Lanka rupee, VAT= value-added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A3.3: Contract Details for Road Surfacing of the Gravel Roads at the Second Phase

Contract No	Contractor Name	Roads no.	Length of Road km		Completed Road Length km			Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs million	
			Target	Actual	Asphalt	Concrete	Total			Original	Actual	Original	Actual
Galle													
SPREAP/G/B/P/01	K.D.A.Weerasinghe & Co	13	26.30	26.34	24.94	1.40	26.34	04/06/2006	24/11/2006	20/06/2008	28/03/2008	175.00	141.45
SPREAP/G/B/P/02	K.D.A.Weerasinghe & Co	12	24.60	24.60	24.60		24.60	04/06/2006	24/11/2006	20/06/2008	04/12/2008	159.00	152.40
SPREAP/G/B/P/03	K.D.A.Weerasinghe & Co	12	25.80	25.86	24.64	1.22	25.86	05/06/2006	24/11/2006	20/06/2008	23/12/2008	178.60	168.94
		37	76.70	76.80	74.18	2.62	76.80					512.60	462.79
Matara													
SPREAP/M/B/P-4	W.G.M.M.Padminie	29	32.20	5.56		5.56	5.56			Terminated		187.75	42.87
SPREAP/M/B/P/04A	Star Construction & Engineers	12	8.99	7.15	1.54	5.61	7.15	28/07/2008	10/11/2008	01/05/2009	28/09/2009	72.00	61.72
SPREAP/M/B/P/04B	K.D.A.Weerasinghe & Co	7	6.01	5.48	2.45	3.03	5.48	28/07/2008	10/11/2008	01/05/2009	28/09/2009	59.89	47.26
SPREAP/M/B/P/04C	K.D.A.Weerasinghe & Co	6	5.90	4.77	1.70	3.07	4.77	28/07/2008	10/11/2008	28/04/2009	17/09/2009	79.30	51.97
SPREAP/M/B/P-5	W.G.M.M.Padminie	19	30.30	3.46		3.46	3.46			Terminated		177.24	28.46
SPREAP/M/B/P/05A	K.D.A.Weerasinghe & Co	5	5.39	5.24	4.47	0.77	5.24	28/07/2008	10/11/2008	01/05/2009	19/10/2009	51.44	37.24
SPREAP/M/B/P/05B	Nawaloka Construction Co Ruhunu Development	8	13.21	11.66	1.35	10.31	11.66	28/07/2008	10/11/2008	17/05/2009	12/08/2009	104.54	87.35
SPREAP/M/B/P/05C	Contractors & Engineers	6	8.08	7.64		7.64	7.64	28/07/2008	10/11/2008	01/05/2009	02/12/2009	82.91	76.72
SPREAP/M/B/P/06A	Star Construction & Engineers	8	17.95	16.44	13.55	2.89	16.44	08/08/2007	28/12/2007	24/11/2008	24/12/2009	125.05	107.49
SPREAP/M/B/P/06B	Star Construction & Engineers	6	8.64	8.64	7.28	1.36	8.64	08/08/2007	28/12/2007	24/11/2008	04/08/2009	65.57	60.12
SPREAP/M/B/P/06C	Star Construction & Engineers	5	2.13	1.66	0.55	1.11	1.66	08/08/2007	28/12/2007	24/11/2008	30/04/2009	21.27	11.69
		111	138.80	77.70	32.89	44.81	77.70					1,026.96	612.89
Hambantota													
SPREAP/H/B/P/07	K.D.A.Weerasinghe & Co	8	19.25	15.70	15.70		15.70	04/06/2006	24/11/2006	20/06/2008	20/09/2009	148.01	123.35
SPREAP/H/B/P-8	W.G.M.M.Padminie	15	20.25	0.67		0.67	0.67			Terminated		156.81	33.83
SPREAP/H/B/P/08A	Nawaloka Construction Co	3	7.55	7.60	6.80	0.80	7.60	18/08/2008	22/01/2009	15/06/2009	30/09/2009	65.18	67.61
SPREAP/H/B/P/08B	Chanaka Metal	3	5.13	3.60	3.60		3.60	01/02/2009	04/06/2009	30/10/2009	25/12/2009	17.06	17.74
SPREAP/H/B/P/08C	Finite Lanka	4	6.95	7.00	7.00		7.00	01/02/2009	27/05/2009	30/10/2009	20/12/2009	27.37	29.82
SPREAP/H/B/P/08D	Senura Civil Engineering	5	5.92	5.61	5.61		5.61	01/02/2009	13/05/2009	20/10/2009	30/09/2009	40.23	43.89
SPREAP/H/B/P/09	Finite Lanka (Pvt) Ltd	6	2.71	4.39	1.77	2.62	4.39	08/08/2007	20/12/2007	14/10/2008	20/10/2008	30.81	30.86
SPREAP/H/B/P/14	Anura Wijenayake Co	7	9.26	9.26	8.95	0.31	9.26	12/05/2008	03/12/2008	03/05/2009	30/09/2009	104.97	98.63
SPREAP/H/B/P/15	Anura Wijenayake Co	7	6.16	6.17	4.53	1.64	6.17	12/05/2008	03/12/2008	08/04/2009	30/09/2009	69.52	69.31
SPREAP/H/B3/P/16A	Royal Contractors	2	2.50	5.58		2.50	5.58	01/02/2009	20/08/2009	20/01/2009	29/12/2009	25.25	33.76
SPREAP/H/B3/P/16B	Senura Civil Engineering	2	2.99	3.08		3.08	3.08	01/02/2009	30/06/2009	01/12/2009	30/12/2009	28.10	38.82
SPREAP/H/B3/P/16C	Senura Civil Engineering	3	3.58	3.58		3.58	3.58	01/02/2009	16/09/2009	20/01/2010	30/12/2009	33.85	44.61
SPREAP/H/B3/P/16D	Siripala Builders	1	2.41	2.41		2.41	2.41	01/02/2009	30/06/2009	30/11/2009	30/12/2009	24.87	34.23
		66	94.66	74.65	53.96	17.61	71.57					772.03	666.46
Total		214	310.16	229.15	161.03	65.04	226.07					2,311.59	1,742.14

km = kilometers, No.= number, SLR=Sri Lanka rupee, VAT= value-added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A3.4: Contract Details for Flood Damaged Gravel Rural Roads

Contractors no.	Roads no.	PS Area	Length Road km		Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs million	
			Target	Actual			Original	Actual	Original	Actual
Galle District										
3	16	Baddegama	5.05	5.05	17.05.2004 – 22.02.2005	09.08.2004 – 27.05.2005	16.11.2004 – 05.09.2005	17.01.2005 – 05.09.2005	3.65	4.49
2	20	Karandeniya	30.35	30.35	17.05.2004 – 20.07.2004	09.08.2004 – 25.08.2004	03.12.2004 – 03.03.2005	10.02.2005 – 01.03.2005	5.03	4.37
4	44	Neluwa	41.20	41.20	06.09.2004 – 18.07.2005	30.11.2004 – 16.11.2005	09.03.2005 – 16.02.2006	01.03.2005 – 16.02.2006	7.02	4.21
4	45	Niyagama	43.54	43.54	20.07.2004 – 22.02.2005	25.08.2004 – 09.05.2005	03.12.2004 – 31.12.2005	30.03.2005 – 31.12.2005	8.07	6.20
5	14	Nagoda	29.15	29.15	17.05.2004 – 31.05.2005	09.08.2004 – 05.01.2005	18.11.2004 – 19.11.2005	15.03.2005 – 19.11.2005	9.19	6.58
2	11	Elpitiya	17.25	17.25	20.07.2004	25.08.2004 – 01.09.2004	03.12.2004 – 30.04.2005	31.03.2005 – 27.05.2005	3.92	5.55
20	150		166.54	166.54					36.89	31.40
Matara District										
7	97	Thihagoda	68.38	68.38	19.07.2004 – 06.09.2004	06.09.2004 – 12.11.2004	21.12.2004 – 12.04.2005	12.04.2005	14.78	15.42
2	9	Akuressa	11.79	11.79	19.07.2004 – 31.05.2005	06.09.2004 – 18.04.2005	21.12.2004	21.12.2004	2.98	4.50
3	11	Pasgoda	19.50	19.50	06.09.2004	20.10.2004 – 20.12.2004	09.02.2005 – 24.04.2005	24.04.2005	4.18	3.68
1	5	Kotapola	9.15	9.15	09.06.2004	01.11.2004	01.03.2005	12.04.2005	1.08	1.79
3	10	Mulatiyana	19.00	19.00	06.04.2004	01.11.2004 – 26.10.2004	20.03.2005 – 10.05.2005	12.05.2005	4.24	3.58
3	35	Malimbada	31.12	31.12	19.07.2004 – 28.09.2004	15.09.2004 – 01.11.2004	25.01.2005 – 29.12.2005	29.12.2005	3.84	3.97
2	16	Hakmana	25.59	25.52	06.09.2004	01.11.2004	09.05.2005 – 11.05.2005	11.05.2005	1.61	1.14
7	35	Kamburupitiya	35.25	35.25	12.07.2005	17.08.2005	18.11.2005	19.11.2005	13.05	10.26
3	17	Matara	27.40	27.44	04.01.2005	12.02.2005	14.05.2005	14.11.2005	6.96	5.22
1	8	Kirinda Puhulwella	10.22	10.22	11.09.2005	12.10.2005	12.01.2006	13.01.2006	2.62	1.03
32	243		257.40	257.37					55.34	50.60
Hambantota District										
6	37	Katuwana	52.00	52.00	04.09.2005	19.09.2005	20.12.2005	25.12.2005	10.43	9.92
5	12	Weeraketiya	32.00	32.00	04.06.2005	19.06.2005	25.09.2005	30.09.2005	9.12	8.33
5	24	Beliatta	30.30	30.30	03.09.2005	17.09.2005	17.12.2005	30.12.2005	7.42	7.63
6	32	Tangalle	42.10	42.10	04.05.2005	15.05.2005	15.08.2005	15.08.2005	8.74	7.35
3	10	Angunukolapelessa	25.00	25.00	15.07.2005	02.08.2005	02.11.2005	15.11.2005	3.71	3.20
25	115		181.40	181.40					39.41	36.43
Total 77	508		605.34	605.31					131.65	118.42

km = kilometers, No. = number, PS= Pradeshiya Sabha, SLR=Sri Lanka rupee, VAT= value-added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A3.5: Contract Details for Flood-Damaged Replacement Pedestrian Bridges

Contract	Location of Bridge	Bridge Width m	Bridge Length m	Contractor	Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs million	
							Original	Actual	Original	Actual
Galle District										
SP/B/G-01	Ketagoda (Nagoda DS)	1.8	55	State Development Construction Corporation	20/06/2005	08/05/2006	27/08/2007	30/12/2009	29.40	30.57
	Aluth Ehala Mapalagama (Nagoda DS)	1.8	52						28.87	30.02
	Panangala Porupanawa (Thawalama DS)	1.8	62						30.97	43.33
	Pathawelivitiya Madakada (Karandeniya DS)	3.5	34						53.55	61.41
	Majuwana (Baddegama DS)	1.8	45						29.40	30.57
	Ehalakanda (Thawalama DS)	1.8	52						35.43	36.85
									207.62	232.75
SP/B/G-02	Neluwa Madugate (Neluwa DS)	1.8	38	CML Edwards Construction Ltd	06/08/2006	24/11/2006	26/06/2008	11/03/2009	32.12	29.74
	Batuwangala (Neluwa DS)	1.8	38						29.97	39.62
	Mawanana (Neluwa DS)	1.8	35						30.67	35.55
	Neluwa (Neluwa DS)	1.8	36						29.97	31.85
	Kosmulla (Neluwa DS)	1.8	48						29.70	27.26
	Gagasiriya (Thawalama DS)	1.8	36						31.87	26.49
Hiniduma (Thawalama DS)	1.8	52	33.60	43.79						
									217.91	234.30
SP/B/G-02A	Lankagama	2.4	33	ELS Construction	04/07/2008	02/12/2008	31/05/2009	15/11/2009	45.20	45.00
									45.20	45.00
Matara District										
SP/B/M-01	Miderapitiya Pitawela (Kotapola DS)	3.5	22	CML Edwards Construction Ltd	06/08/2006	12/12/2006	30/06/2008	11/05/2009	25.32	26.79
	Kekilla Gammanaya (Akuressa DS)	1.8	30						27.76	28.72
	Aranuwa (Kotapola DS)	1.8	32						34.15	27.74
	Godapitiya Maramba Welihena (Akuressa DS)	1.8	48						38.37	54.39
									125.59	137.64
SP/B/M-01A	Urubokka	2.4	30	ELS Construction	04/07/2008	02/12/2008	31/05/2009	15/11/2009	41.16	36.86
									41.16	36.86
Total									637.48	686.55

m = meters, SLR=Sri Lanka rupee, VAT= value-added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A3.6: Contract Details for Pola Rural Markets

Contract	Market Location	Contractor	Contract Tender Date	Contract Award Date	Contract Completion Date		Contract Value (with VAT) SLRs millions	
					Original	Actual	Original	Actual
Galle District								
CLG/LCB/MKT/BAD	Baddegama	Kumarage Enterprises	08/08/2007	07/01/2008	05/08/2008	03/04/2009	14.07	15.08
CLG/LCB/MKT/NEL	Neluwa	Sripalie Construction	22/11/2006	27/04/2007	27/09/2007	08/01/2009	24.73	28.33
CLG/LCB/MKT/TAL	Thalagaswala	Kumarage Enterprises	15/08/2005	09/04/2008	06/08/2006	08/11/2008	13.44	18.30
CLG/LCB/MKT/ADDL	Uragasmanhandiya	Kumarage Enterprises	26/07/2007	05/11/2007	05/05/2008	20/03/2006 8/1/2009	Additional work 16.55	26.08
							68.79	87.79
Matara District								
CLG/LCB/MKT/MOR	Morawaka	E.H.L.Contractors	09/07/2006	30/10/2006	01/05/2007	30/11/2008	24.98	26.31
CLG/LCB/MKT/MAK	Makandura	Udaya Construction	09/07/2006	30/10/2006	01/05/2007	10/01/2008	21.50	23.12
CLG/LCB/MKT/DEY	Deiyandara	C.P.Illeperuma	15/08/2005	01/02/2006	06/08/2006	02/08/2007	13.13	17.19
CLG/LCB/MKT/URB	Urubokka	Kumarage Enterprises	22/11/2006	27/03/2007	27/09/2007	27/09/2008	26.02	24.12
CLG/LCB/MKT/KAM	Kamburupitiya	C.P.Illeperuma	22/11/2006	27/03/2007	27/09/2007	24/02/2009	26.24	26.40
CLG/LCB/MKT/HAK	Hakmana	Wijewickrama Construction	26/07/2007	27/02/2008	05/05/2008	20/07/2009	33.86	33.67
							145.73	150.81
Hambantota District								
CLG/LCB/MKT/BKM	Barawakumbuka	Hettiarachchi Construction	06/03/2005	01/06/2005	30/11/2005	01/06/2006	14.97	14.13
CLG/LCB/MKT/AMB	Ambalantota	Hansagiri Construction	06/03/2005	01/06/2005	30/11/2005	15/05/2006	9.66	7.10
CLG/LCB/MKT/SUR	Suriyawewa	H.M.A. Engineering Construction	06/03/2005	01/06/2005	30/11/2005	05/04/2006	18.14	21.20
CLG/LCB/MKT/WEE	Weeraketiya	Athulya Engineering	03/06/2005	24/08/2005	01/03/2006	30/11/2006	17.41	20.20
CLG/LCB/MKT/ADDL	A'kolapelessa	Kumarage Enterprises	26/07/2007	05/11/2007	05/05/2008	27/12/2006 8/1/2009	Additional work 10.33	14.97
CLG/LCB/MKT/KAT	Katuwana	S.K.Builders	06/03/2005	30/05/2005	30/11/2005	02/08/2007	8.33	17.70
CLG/LCB/MKT/PAN	Pannegamuwa	Udaya Construction	06/03/2005	01/06/2005	30/11/2005	02/08/2007	14.91	16.78
CLG/LCB/MKT/RAN	Ranna	C.P.Illeperuma	03/06/2005	05/09/2005	01/03/2006	30/08/2006	27.08	24.89
CLG/LCB/MKT/WAL	Walasmulla	B.K.Gunadasa	26/07/2007	12/05/2007	05/05/2008	02/11/2006	26.47	42.80
CLG/LCB/MKT/BEL	Beliatia	Wijewickrama Construction	26/06/2007	17/12/2007	05/05/2008	30/11/2008	17.72	17.50
SPREAP/ID/MD/H/Kirama	Kirama	Trio Construction	01/02/2009	21/07/2009	21/12/2009	28/12/2009	11.15	11.20
SPREAP/ID/MD/H/Middeniya	Middeniya	Kumarage Enterprises	01/02/2009	21/08/2009	21/01/2010	27/12/2009	11.86	13.00
SPREAP/ID/MD/H/Bandarawatta	Bandarawatta	Athulya Engineering	01/02/2009	26/08/2009	26/01/2010	30/11/2009	8.21	8.00
							196.23	229.47
Total							410.75	468.07

km = kilometers, SLR=Sri Lanka rupee, VAT=value added tax.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A4.1: Beneficiary Survey of Southern Province Rural Economic Advancement Project – Roads

Road	Pump House Road		Gurusinghagoda Temple Road		Mee Meduma Road		Ehelapitiya Road		Halgoda Pinnapola Road		Vilpita Batugodawatta Road		Vilamulla Bandarawatta Road	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
District	Galle		Galle		Galle		Galle		Matara		Matara		Hambantota	
Invested Amount (SLR million)	20.41		5.51		12.16		12.07		0.26		0.37		9.54	
Length (km)	4.19		1.55		3.18		0.87		0.21		0.22		0.46	
Width (m)	2	3	2	3	2	3	3	3	3	3.5	2	3	3	3.5
Gravel Road	Carpet	Asphalt	Tar Road	Asphalt	Gravel Road	Asphalt	Gravel Road	Asphalt	Gravel Road	Asphalt	Gravel Road	Gravel Road	Gravel Road	Asphalt
Road Usage per day														
Pedestrians (No.)	160	200	150	250	170	200	150	175	100	160	100	250	100	150
Vehicles (No.)														
Bicycles	30	60	10	25-30		30		15	10	10	35	250	50	75
Motor Bicycles	25	100	50	150		40		5	10	25	25	100	50	100
Three-wheelers		30	10	30		50		2		6	4	75	25	200
Car		20	3	5		10				1		8	5	25
Van		15		20		25				2		5		2
Bus		1		1				1		1		1		
Lorry		4						1				1		
Tipper		4										2		
Tractors (Small)	3	5	5	5		5				2	2	4	2	5
Tractors	1	1				1		2		1	1	3	1	3
Land Value (SLR '000)	100	300	100	400	100	300	200	400	900	1,000	1,000	4,000	200	400
Accidents (Nos.)	3													
Maintenance														
Surface	P	G	F	G	P	G	P	G	P	G	P	G	P	G
Drainage	P	F	F	F	P	F	P	F	P	F	P	F	P	F
Cleaning two sides	P	F	F	F	P	F	P	F	P	F	P	F	P	F

Notes: km = kilometers, m = meters, No. = number, P = Poor, F = Fair, G = Good.

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Table A4.2 : Beneficiary Survey for Markets

Pola	Neluwa		Uragasmanhandiya		Baddegama		Deyiyandara		Morawaka		Urubokka		Pannegamuwa		Makadura		Sooriyawawe		
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	
G.S. Division	Neluwa		Uragasmanhandiya – South		Baddegama		Deyiyandara		Morawaka		Urubokka		Pannegamuwa		Makadura (Est)		Sooriyawawe		
D.S. Division	Neluwa		Uragasmanhandiya		Baddegama		Deyiyandara		Pitabaddara		Pasgoda		Thissamaharamaya		Mulatiyana		Sooriyawawe		
P.S. Division	Neluwa				Baddegama		Mulatiyana		Pitabaddara		Pasgoda		Thissamaharamaya		Mulatiyana		Sooriyawawe		
Invested Amount (SLRs millions)	28.43		31.97		15.49		18.66		28.24		30.44		17.86		28.24		22.43		
Capacity of the market																			
Assistance of Local Government Department																			
Annual income for PS (SLRs millions)	0.84	1.56	0.70	1.40	1.00	2.50	0.60	1.50			0.90	1.82		0.84	0.08	0.20	3.00	5.50	
No. of stalls	180	240	175	320	179	266	50	215		96	n .d.	340		250	100	125	150	225	
No. of shops		2		8				10		10						16			
Details about market functioning																			
Wholesale (days/week)					1	1								4	4			2	2
Retail (days/week)	1	1	1	1			2	2	1	1	1	2	2	2	2	2	2	2	2
No. of traders	250	380	175	200	300	360	200	320	100	250	300	600	350	450	100	200	200	600	
No. of consumers	4,500	8,000	6,000	7,000	7,000	12,000	5,000	7,000	2,000	4,500	10,000	15,000	2,000	8,000	700	1,000	6,000	15,000	
Total Turnover (per week) (SLR millions)	4.50	7.60	4.80	5.60	8.40	18.00	7.50	7.00	2.00	4.00	7.50	12.00	1.30	6.00	0.70	1.00	4.50	11.00	
Development - Relevant to Management of Market) (Poor, Fair, Good)																			
Local products	F	G	G	G	G	G	F	G	F	F	F	G	F	G	F	G	F	G	
cottage industrial products	F	G	F	G	F	G	F	G	F	F	F	F	F	G	F	G	F	G	
Participation of local farmers	F	F	F	F	G	G	F	G	F	F	F	G	F	F	F	F	F	G	
Employment Generated	F	F	F	G	F	G	F	G	F	G	F	G	F	G	F	G	F	G	
Enhancement of Services (Poor, Fair, Good)																			
Sanitary facility	F	G	P	P	P	G	F	G	F	G	F	G	P	G	F	G	P	G	
Parking spaces	F	G	F	F	F	G	F	G	F	F	F	G	F	G	F	G	P	G	
Water supply	F	G	F	P	G	G	P	G	F	G	F	G	P	G	F	G	P	G	
Maintenance of market premises	P	G	F	G	F	G	F	G	P	F	F	G	P	F	F	G	F	G	
Enhancement of customer care relationship	P	G	F	F	F	G	P	G	F	F	F	G	F	F	F	G	F	G	
Assistance of Local Government Department (Poor, Fair, Good)																			
Process of cleaning the market	F	G	F	G		G	G	P		F	G	G	F	G	F	G	F	G	
Collecting taxes	F	G	G	G	G	G	F	G	F	G	F	G	P	F	F	G	F	G	
Water and electricity supply service	P	G	F	F			P	G	P	F	F	G	P	G	F	G	F	G	
Development of management of market (Yes / No)																			
Establishment of Management Office	N	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	N	N	N	N	Y	
Progress review and taking remedial action	N	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	N	Y	Y	Y	N	Y	

Notes: G.S. = grama seva, P.S. = pradeshhiya sabha, D.S. = divisional secretariat, P = poor, F = fair, G = good, km = kilometers, m = meters, No. = number.,

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Southern Province Rural Economic Advancement Project - Sample Survey Flood Damaged Bridges

Bridge Name	Batuwangala			Ehelakanda			Gangasiriya			Hingalgoda			Mawanana			Mederipitiya			Neluwa			Urubokka		
	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.
Final contract cost (SLR millions)		35			27			23.1			32			30.2			39			29			36	
Bridge Length (m)		32			52			36			62			35			22			36			30	
Bridge width (m)		1.8			1.8			1.8			1.8			1.8			3.5			1.8			2.4	
Social benefits and bridge usage																								
Beneficiaries per day (number)																								
Villagers	65	182	117	20	42	22	750	1200	450	30	161	131	150	493	343	30	397	367	40	386	346	200	500	300
Government officers	1	4	3	3	7	4	85	110	25	0	3	3	3	13	10	1	2	1	2	15	13	2	8	6
Businessmen	2	9	7	2	4	2	15	50	35	0	0	0	0	10	10	0	12	12	10	45	35	3	20	17
School children	10	32	22	12	29	17	150	175	25	8	17	9	10	50	40	40	100	60	12	47	35	75	95	20
Location beneficiaries (number)																								
Government offices	3	3	0	0	4	4	3	3	0	0	0	0	0	0	0	3	3	0	0	7	7	6	6	0
Schools	3	3	0	2	4	2	3	3	0	0	0	0	1	1	0	1	4	3	1	3	2	3	3	0
Hospitals	1	2	1	1	1	0	0	0		0	0	0	0	0	0	2	3	1	0	1	1	1	1	0
Industries	3	3	0	1	1	0	1	1	0	0	0	0	0	1	1	1	1	0	0	1	1	4	4	0
Economic Benefits												0												
Transport per day (number)												0												
Bicycles	2	28	26	0	32	32	60	82	22	1	10	9	0	9	9	0	8	8	5	54	49	4	9	5
Motor bikes	0	300	300	0	85	85	0	200	200	0	35	35	0	122	122	0	48	48	0	191	191	0	122	122
Three wheels	0	50	50	0	12	12	0	99	99	0	4	4	0	79	79	0	7	7	0	79	79	0	79	79
Tractors	0	5	5	0	0	0	0	6	6	0	2	2	0	4	4	0	5	5	0	2	2	0	2	2
Other vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	25	0	0	0	0	3	3

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Bridge Name	Batuwangala			Ehelakanda			Gangasiriya			Hingalgoda			Mawanana			Mederipitiya			Neluwa			Urubokka		
	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.
Agricultural Products Carried Daily																								
Tea Leaves (sacks)	2	60	58	150	250	100	20	35	15	4	11	7	2	12	10	0	600	600	0	20	20	6	25	19
Export crops Products (kg)	0	0	0	35	60	25	50	150	100	0	0	0	25	100	75	0	0	0	0	20	20	0	0	0
Rubber (sheets)	0	0	0	0	0	0	100	700	600	0	0	0	10	150	140	0	0	0	0	80	80	0	0	0
Coconut	0	0	0	0	0	0	0	0	0	0	0	0	10	1,000	990	0	0	0	0	0	0	20	300	280
Paddy (sacks)	0	0	0	10	12	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vegetable (kg)	0	0	0	20	50	30	30	100	70	0	0	0	30	150	120	0	0	0	0	0	0	10	45	35
Milk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kithul honey (Bottles)	0	0	0	0	0	0	0	0	0	2	8	6	5	8	3	4	8	4	0	4	4	0	0	0
Other Benefits																								
Value added (SLRs)																								
Others (per acre)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0	0	0	0
Social life development (numbers)									0															
Bicycles	20	28	8	20	65	45	200	75	(125)	2	12	10	5	100	95	0	12	12	15	32	17	4	20	16
Motor Bikes	90	300	210	0	105	105	50	250	200	0	5	5	2	1,500	1,498	0	70	70	6	75	69	3	450	447
Three Wheels	8	50	42	0	20	20	25	75	50	0	6	6	0	100	100	0	20	20	0	20	20	0	10	10
Tractors	1	5	4	0	4	4	6	8	2	0	1	1	0	2	2	0	4	4	0	4	4	0	5	5
Others	0	0	0						0			0	0	3	3	0	5	5	0	0	0	0	4	4
Construction of building (number)																								
Houses	200	300	100	360	400	40	5,000	5,000	0	16	20	4	150	600	450	800	800	0	250	250	0	600	650	50
Industrial Places	5	10	5	1	1	0	1	1	0	1	1	0	1	6	5	0	8	8	10	12	2	3	6	3
Public places	4	4	0	1	1	0	3	4	1	0	0	0	1	2	1	3	3	0	1	1	0	1	1	0
Information on accidents (per annum)																								
Falling	0	0	0	0	0	0	35	0	(35)	0	0	0	6	0	(6)	8	0	(8)	10	0	(10)	60	0	(60)
Death	0	0	0	0	0	0	0	0	0	0	0	0	1	0	(1)	1	0	(1)	2	0	(2)	3	0	(3)

Source: Southern Province Rural Economic Advancement Project - Project Management Office

Bridge Name	Batuwangala			Ehelakanda			Gangasiriya			Hingalgoda			Mawanana			Mederipitiya			Neluwa			Urubokka		
	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.	Before	After	Diff.
Supply services to village (number monthly)																								
Arrival of agricultural officers	0	0	0	1	1	0	1	4	3		0	0	0	2	2	0	0	0	0	2	2	1	2	1
Arrival of health inspectors	1	4	3	1	1	0	8	30	22	0	3	3	1	4	3	1	8	7	4	4	0	1	4	3
Arrival of field officers	0	0	0	1	1	0	2	8	6	0	0	0		2	2	0	0	0	0	0	0	1	2	1
Arrival of GS officers and Samurdhi offices	2	8	6	1	1	0	10	10	0	0	3	3	1	6	5	2	10	8	0	0	0	1	6	5
Arrival of Other Govt. Officers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel time savings (trip minutes)																								
for duty	1	0.5	0.5	2.5	1	1.5	0	0	0	1	0.3	0.8	6	0.5	5.5	5	2	3	1.5	0.3	1.3	0.8	0.3	0.5
for school	1.5	0.5	1.0	1	0.5	0.5	1.5	0.5	1	0.5	0.3	0.3	1	0.25	0.75	5	2	3	1.5	0.3	1.3	0.8	0.3	0.5
for hospital	1.5	0.5	1.0	2	1	1	0.5	0.25	0.25	1.5	0.8	0.8	1.5	0.75	0.75	5	2	3	1	0.3	0.8	1	0.5	0.5
for Purchasing	1	0.5	0.5	2	1	1	1	0.25	0.75	0.5	0.3	0.3	3	0.5	2.5	5	2	3	1.5	0.3	1.3	0.5	0.3	0.3
Travel distance savings (km)																								
to office	5	3	2.0	25	10	15	6	6	0	1	1	0	10	5	5	5	3	2	5	0.5	4.5	5	2	3
to school	12	3	9.0	12	4	8	6	6	0	0.5	0.5	0	10	5	5	12	3	9	6	1	5	10	0.5	9.5
to town	5	3	2.0	12	5	7	2	2	0	0.5	0.5	0	10	5	5	5	3	2	4	0.5	3.5	5	2	3
to industry	8	4	4.0	-	2		0	0	0	0.5	0.5	0	0	0	0	0	0	0	0	0	0	5	0.5	4.5
to hospital	5	3	2.0	12	5	7	4	4	0	2	2	0	13	8	5	8	4	4	5	1	4	5	2	3
to business place	0	0	0.0	0	0	0																		

Note: (-)=negative, kg = kilogram, km = kilometer, m=meter, SLR = Sri Lanka Rupees.
Source: Southern Province Rural Economic Advancement Project - Project Management Office

**Training Programs Conducted by
Southern Province Rural Economic Advancement Project**

No.	Program, Work shop and Seminars	Target Group	No.of participants	No. of Programs	Duration
Capacity Building program for Pradeshiya Sabhas and Southern Provincial Council					
1	Revenue Assistant Training	Officers of PSs (Galle, Matara, Hambantota)	70	1 program for a each district office	5 days
2	Awareness Program	Technical officers, 3 districts	30	1	3 days
3	Basic Computer Training	Officers of PSs	108	1	6 Months
4	Capacity Building Training Program	Chairmen and Opposition Leaders and key official PSs	115	3	3 days
5	Capacity Building Program	Technical officers and others of PSs (Galle, Matara, Hambantota)	120	1	1 day
6	Workshop on Project Monitoring	Technical officers and others of PSs (Galle, Matara, Hambantota)	120	1	1 day
5	Quality Assurance and Construction Management	PMO tech. staff, technical officers of PSs	150	6	3 days
7	Capacity Building and Preparation of Corporate Plan 2006-2010	Officers and employers of CLG	35	1	2 days
8	Workshop on Budgeting and planning (Hambantota)	Secretaries and planning officers of PS	75	1	2 days
9	Workshop on Good Governance	Officers and employers of CLG	69	1	3 days
10	Workshop on legal matters (Galle & Matara)	Chairmen and other officers of PSs	80	2	4 days
11	Management development Plan and Revenue Mobilization of PSs	Officers and members of PSs	1,830	15	1 day for a each Program
12	Strategic Plan Preparation for Management and Monitoring	Officers of PMO, PS and CLG	50	1	2
13	Training in AutoCAD	Technical staff (PMO, PS and SPC)	100	3	10 Months
14	Field visit on latest agricultural technology for political leadership and officers of SPC	Ministers, PSs chairmen and officers in SPC	225	2	6 days
15	Market Development	Development officers, investigation officers	50	1	3 days
16	Presentation Technology	CLG staff	20	1	2 days
17	Computerized Payroll management	Management Assistants	84	1	1 week
18	Sound Financial Management	Management assistants, investigation officers	150	2	2 days
19	Rural Infrastructure Management	Technical staff (PMO, PS and SPC)	75	3	2 days

No	Program, Work shop and Seminars	Target Group	No. of participants	No. of Programs	Duration
20	Good governance (seminar series and exhibition)	Officers of (PMO, PS and SPC)	500	1	2 days
21	Training on GIS	Newly recruited graduates	10	1	3 months

PMO Staff Training					
1	New techniques of monitoring & evaluation	PMO Staff	44	1	2 Days
2	Productivity improvement workshop	PMO Staff	100	1	1 day
3	Financial regulations procedures for construction works and Contract Administration	PMO Staff	88	2	4 days
4	Capacity building for staff members	PMO Staff	25	1	1 day
5	Workshop on development Implementation of strategic plan to accelerate the TAARP construction program.	PMO Staff	50	1	2 days
6	Workshop on Presentation Technologies	PMO Staff	40	2	5 days
7	Workshop on Driving Excellence	PMO Staff	20	1	2 days
Special promotion activities for women and youths					
1	Fruit nursery management and budding and grafting techniques	Unemployed youths and women	50	3	5 days
2	Computer Hardware Engineering	Unemployed youths and women	10	1	6 Months
3	Quality seed production Program (Paddy)	Unemployed youths and women	30	3	4 days
4	Quality rice milling, processing and storage	Unemployed youths and women	30	1	5 days
5	Three-wheeler and motor bike repair	Unemployed youths	20	1	3 months
6	Heavy Machinery Training Program	Unemployed youths	76	3	15 weeks
7	Button Mushroom Cultivation	Unemployed youths	80	1	1 day
8	Welding Course	Unemployed youths	5	1	3 months
9	Home Gardening	Members of PSs and unemployed women	100	1	3 days
Promotion and Awareness Programs					
1	Awareness on Project activities	Media personals	250	3	1 day
2	Exhibition – Deyata Kirula	Public			3 days
3	Making Awareness for Political Leaders, Secretaries and Journalists of relevant Ministries- Hambantota, Galle	Political leaders and secretaries of relevant ministries and media persons	138	2	2 days

No.	Program, Workshops, and Seminars	Target Group	No. of participants	No. of Programs	Duration
EDS Agriculture					
1	Cultivation of Hydroponics, Kirala, Mushrooms, Manioc, Chilies and Animal Husbandry	Farmers	1,874	25	43 days
EDS Others					
1	Business Plan Preparation Workshop	EDS providers (Galle, Matara and Hambantota)	115	4	17 days
2	Workshop on relationship between Bank and EDS	EDS providers (Galle, Matara and Hambantota)	162	3	3 days
3	Business Plan Preparation workshops for EDS providers, services (Food Processing)	EDS and bank officers (RDB and Sanasa)	142	6	1 Month
EDS Workshops					
1	Awareness Program for "DASUNA" credit scheme	Entrepreneurs	231	3	3 day
2	Awareness Program for SPREAP	PMO staff	90	1	1 day
3	Awareness Program	Entrepreneurs and officers	1,065	18	20 days
4	Ornamental Fish	Selected beneficiaries	19	3	6 days
5	Project Management	Entrepreneurs	1	1	2 days
6	Technical Workshop for RDB	Bank officers and EDS Providers	150	2	1 day
7	Maintains and Repairs of Tractors	Tractor owners	20	1	10 days
8	Workshop on Sales Management	Entrepreneurs	21	2	3 days
9	Food Technology	"DASUNA" borrowers	2	1	1 day
10	Fiber Blocks Products	Selected beneficiaries	8	1	1 day
11	Training Program on Role of Trainers	EDS Providers	1	1	2 days
12	Maintenance and Repairs of Tractors	Tractor owners	1	1	
13	Start your business	Entrepreneurs	1	1	5 days
14	Small and Medium-sized Entrepreneurs Development	Entrepreneurs	1	1	1 year
15	Follow up survey on "DASUNA" Credit Scheme.	Entrepreneurs	1,027	1	1 Month

CLG=Commissioner of Local Government, DASUNA = Name of Credit Scheme, EDS=enterprise development services, GIS=Geographical Information System, PSs=Pradeshiya Sabhas, PMO=project management office, SPC=Southern Provincial Councils, SPREAP = Southern Province Rural Economic Advancement Project, RDB=regional development bank.

Source: Southern Province Rural Economic Advancement Project - Project Management Office.

PROJECT COSTS

Table A6.1: Project Cost by Component and Sources of Funding
(\$ million)

Item	Foreign Exchange	Local Currency	Total Cost
A. Base cost			
1. Economic stimulation			
a. Micro-, small-, and medium-sized credit			
Micro-enterprise credit	1.9	5.3	7.2
Small- and medium-sized enterprise credit	2.9	8.1	11.0
Subtotal (a)	4.8	13.4	18.2
b. Enterprise development services support			
Technical support unit	0.0	0.5	0.5
Service providers	0.0	0.0	0.0
Entrepreneurs	0.0	0.3	0.3
Enterprise development and information centers	0.0	0.0	0.0
Subtotal (b)	0.0	0.8	0.8
Subtotal (1)	4.8	14.2	19.0
2. Enhancement of the physical and institutional environment			
a. Improvement and maintenance of rural infrastructure			
Rural roads*	4.3	16.4	20.7
Markets*	0.9	3.8	4.7
Flood rehabilitation activities	2.6	5.3	7.9
Subtotal (a)	7.8	25.5	33.3
b. Institutional support			
Southern provincial council	0.2	0.3	0.5
Pradeshiya sabhas	0.2	0.3	0.5
Ministry of plan implementation	0.0	0.0	0.0
Subtotal (b)	0.3	0.6	1.0
c. Support for project implementation	0.5	2.8	3.2
Subtotal (2)	8.6	28.9	37.5
Subtotal (A)	13.4	43.0	56.5
B. Contingencies			
1 Physical	0.0	0.0	0.0
2 Price	0.0	0.0	0.0
Subtotal (B)	0.0	0.0	0.0
C. Interest Charges			
1 EDA and OFID	0.7	0.0	0.7
Subtotal (C)	0.7	0.0	0.7
Total (A+B+C)	14.1	43.0	57.2

*Asian Development Bank financing 40%, OPEC Fund for International Development financing 23% and the government financing 37%.

Note : OPEC = Organization of the Petroleum Exporting Countries.

Source: Asian Development Bank and Project Management Unit.

Table A6.2: Project Costs by Components and Sources

(\$ million)

Item	Appraisal			Actual		
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost
A. Base cost						
1 Economic stimulation						
a. Micro-, small-, and medium-sized credit						
Microenterprise credit	2.0	3.7	5.7	1.9	5.3	7.2
Small- and medium-sized enterprise credit	5.0	9.3	14.3	2.9	8.1	11.0
Subtotal (a)	7.0	13.0	20.0	4.8	13.4	18.2
b. Enterprise development services (EDS) support						
Technical support unit	0.0	0.6	0.6	0.0	0.5	0.5
Service providers	0.1	0.1	0.2	0.0	0.0	0.0
Entrepreneurs	0.0	1.8	1.8	0.0	0.3	0.3
Enterprise development and information centers	0.0	0.2	0.2	0.0	0.0	0.0
Subtotal (b)	0.1	2.7	2.8	0.0	0.8	0.8
Subtotal (1)	7.1	15.7	22.8	4.8	14.2	19.0
2. Enhancement of the physical and institutional environment						
a. Improvement and maintenance of rural infrastructure						
Rural roads*	2.9	7.2	10.1	4.3	16.4	20.7
Markets*	0.5	1.6	2.1	0.9	3.8	4.7
Flood rehabilitation activities	0.0	0.0	0.0	2.6	5.3	7.9
Subtotal (a)	3.4	8.8	12.2	7.8	25.5	33.3
b. Institutional Support						
Southern provincial council	0.1	0.2	0.4	0.2	0.3	0.5
Pradeshya sabhas	0.3	0.4	0.7	0.2	0.3	0.5
Ministry of plan implementation	0.0	0.2	0.2	0.0	0.0	0.0
Subtotal (b)	0.4	0.8	1.2	0.3	0.6	1.0
c. Support for project implementation	0.6	1.9	2.5	0.5	2.8	3.2
Subtotal (2)	4.4	11.5	15.9	8.6	28.9	37.5
Subtotal (A)	11.5	27.2	38.7	13.4	43.0	56.5
B. Contingencies						
1. Physical	0.4	1.2	1.6	0.0	0.0	0.0
2. Price	0.3	1.1	1.4	0.0	0.0	0.0
Subtotal (B)	0.7	2.3	3.0	0.0	0.0	0.0
C. Interest Charges						
Asian Development Bank and OPEC Fund for						
1. International Development	1.0	0.0	1.0	0.7	0.0	0.7
Subtotal (C)	1.0	0.0	1.0	0.7	0.0	0.7
Total (A+B+C)	13.2	29.5	42.7	14.1	43.0	57.2

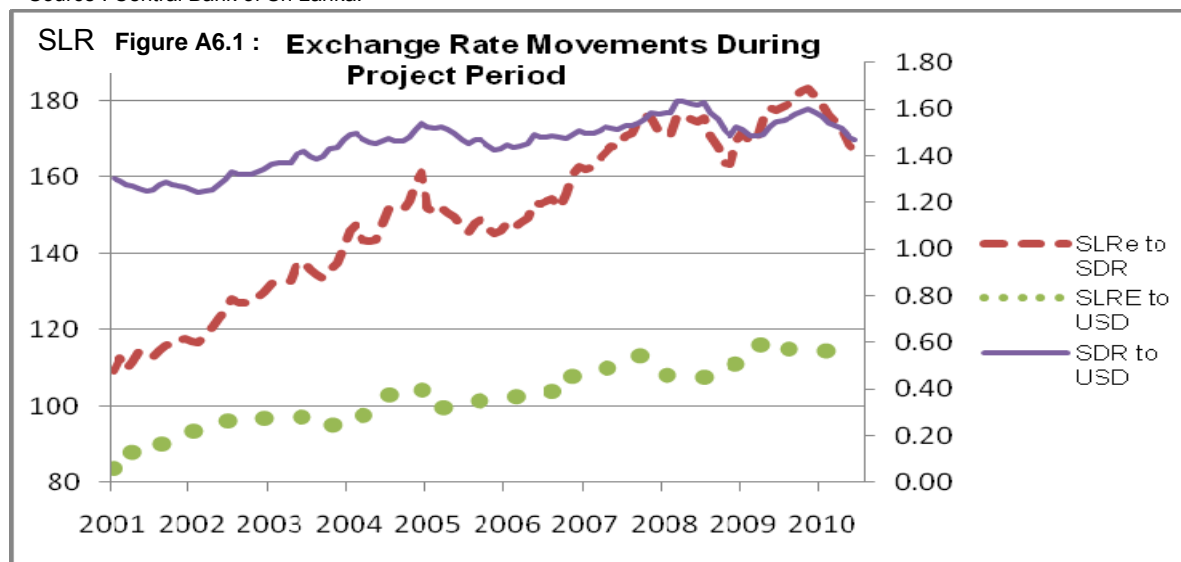
* ADB financing 40%, OFID financing 23%, and the Government financing 37%.

Source: Asian Development Bank and Project Management Unit.

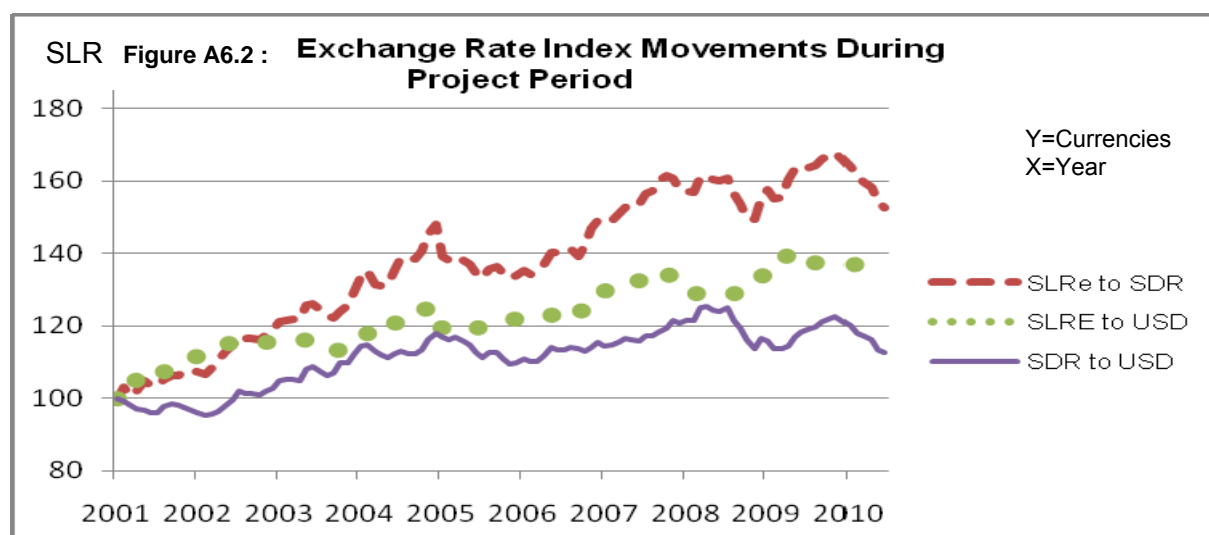
Table A6.3: Exchange Rate Movements During Project Period

Year	Rates			Index 2001 = 100		
	SLRe to SDR	SLRE to US\$	SDR to US\$	SLR to SDR	SLR to US\$	SDR to US\$
2001	109.1328	83.6622	1.3044	100.0000	100.0000	100.0000
2002	117.0192	93.3880	1.2530	107.2264	111.6251	96.0594
2003	132.1388	96.7679	1.3655	121.0807	115.6650	104.6822
2004	145.8920	97.8546	1.4909	133.6830	116.9639	114.2942
2005	151.9030	99.6422	1.5245	139.1910	119.1006	116.8684
2006	147.7853	102.1459	1.4468	135.4179	122.0933	110.9135
2007	162.1166	108.4608	1.4947	148.5498	129.6413	114.5852
2008	171.4526	108.2513	1.5838	157.1046	129.3909	121.4185
2009	171.8844	113.7430	1.5112	157.5002	135.9551	115.8473
2010	178.9776	114.3545	1.5651	163.9998	136.6860	119.9829

SDR = Special drawing rights, SLR = Sri Lankan Rupees, US\$ = United State of America Dollars
 Source : Central Bank of Sri Lanka.



SDR = Special drawing rights, SLR = Sri Lankan Rupees, US\$ = United State of America Dollars
 Source : Central Bank of Sri Lanka.



Note: Year values at January each year
 SDR = Special drawing rights, SLR = Sri Lankan Rupees, US\$ = United State of America Dollars
 Source : Central Bank of Sri Lanka.

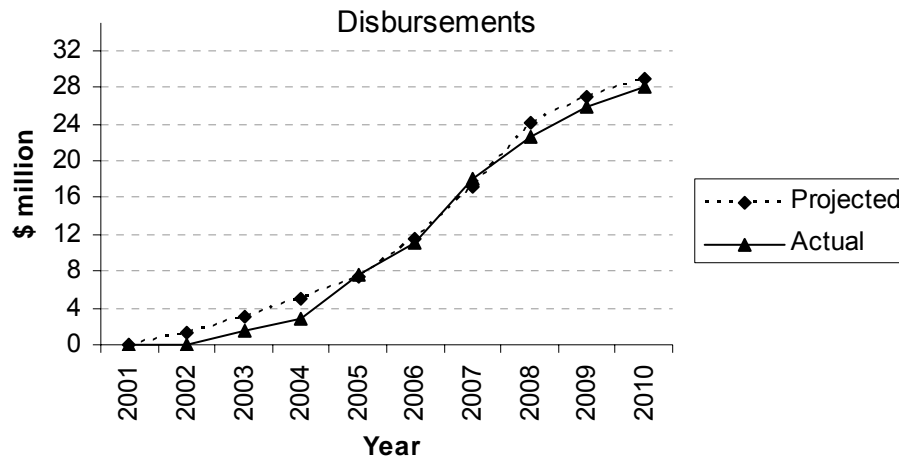
CUMULATIVE PROJECTED AND ACTUAL DISBURSEMENTS
(\$ million)

Table A7 : Projected And Actual Disbursements

Year	Projected	Actual
2002	1.20	0.00
2003	3.03	1.62
2004	5.03	2.86
2005	7.43	7.57
2006	11.43	11.14
2007	17.14	17.98
2008	24.06	22.70
2009	27.06	25.94
2010	28.88	28.09

Source : Asian Development Bank Sri Lanka Resident Mission

Figure A7: Disbursements Timeline at Appraisal and Actual



Source: Asian Development Bank Sri Lanka Resident Mission

CHRONOLOGY OF MAIN EVENTS

Year	Date	Event
2001	9 April	ADB project brief held in Manila
	22 April–12 May	ADB fact-finding mission
	11 May	Memorandum of understanding signed between ADB and government on fact-finding mission
	21 May	Back-to-office report of the fact-finding mission submitted
	4 July	ADB Management review meeting
	12–28 July	ADB appraisal mission
	10 August	Back-to-office report of the appraisal mission submitted
	20 August	Pre-staff review committee meeting draft circulation for interdepartmental comments
	3 September	ADB staff review committee meeting
	16 September	Expression of intent advertisements for lead EDS consultant
	24–28 September	Loan negotiation
	3 October	ADB President approved project
	4 October	Report and recommendation of the President circulated to Board
	26 October	ADB loan approval
	October	Project director appointed and assumed position in December
20 December	Government ministry reorganized; the designated EA was vested from Ministry of Plan Implementation to MSRDC	
2002	1 January	PMO at Galle established
	10 January	ADB loan agreement signed by government
		ADB project agreement signed by NDB
	January –June	Four PMO units and three deputy project director offices established in Galle, Hambantota, and Matara districts
	14 February	Subsidiary loan agreement between government and NDB signed
	26 February	Loan agreement between government and OFID signed
	February	Heads of finance unit and infrastructure unit of PMO appointed and in position
	19–21 March	ADB consultation mission ascertained that further delays in loan effectiveness were anticipated due to slowness of consultant recruitment
	22 March	MSRD issued letter of intent for submissions from five shortlisted lead EDS provider consultants
	25 March	Advertisements for PICs placed with expression of intent deadline of 30 May 2002
	April	Head of PMO monitoring and evaluation unit and training unit appointed and in position
	June	CSC recommended proceeding to contract negotiations with first-ranked lead EDS provider consultants
	30 June	Subsidiary loan agreements signed with PFIs
	19 July	ADB and OFID signed cofinancing agreement
	July–October	Protracted contract negotiations with first-ranked lead EDS provider consultants concluded, and an agreement and contract signed by the EA, which was deemed by ADB as not effective prior to loan effectiveness
15 November	ADB project note concerning capability and experience of selected lead EDS provider	
12 December	Loan effectiveness	
	Project start-up workshop, which prepared a detailed project framework	

Year	Date	Event
	16 December	Revised agreement and contract signed with lead EDS provider (BMB Lanka) with defined performance review times and benchmark performance indicators, allowing an initial 1-year contract term (originally proposed for 5 years)
	20 December	PMO established lead EDS technical support unit in Galle District
	December	Delayed submission of short-list of PICs and invitations sent to ADB
2003	7 January	Lead EDS provider commenced services at PMO unit in Galle District
	9 January	OFID declared loan effectiveness
	24 January–21 April	Project vehicles and equipment procured
	27 January–1 February	ADB inception mission
	January	CSC reviewed and approved short list of PICs subject to clarification
	1 February	Recruitment of PICs delayed as PMO requested selection by quality- and cost-based selection method; since the loan was approved prior to April 2002, the quality-based selection method provided in project documents
	7 February	Provincial Project Management Committee established
	28 February	National Coordination Committee established
	1 March–3 June	Project road appraisal conducted to select rural roads and markets, including 3,000 km of rural roads in three districts
	13 March	PPMC established First PPMC meeting conducted
	April	After a long delay, selection of PICs commenced
	May	Major flood in project area; ADB agreed to reconstruct 20 pedestrian bridges and roads damaged by flood
	1 May–22 July	Memorandum of understanding signed between Commission of Local Government and <i>pradeshiya sabhas</i> for participation in the rural road improvement subcomponent
	20 May	Signed agreement with research development consultancy to conduct a baseline survey
	26–29 May	Sri Lanka Resident Mission reconnaissance mission to assess the extent of the flood damage and rehabilitation assistance required by government
	1 June–18 December	Baseline survey conducted
	12 June	Registration of 72 EDS providers recommended by lead EDS provider to implement the EDS support component
	15 September and 20 November	The government requested reallocation of funds for rehabilitation of flood-damaged infrastructure.
	17 September	First civil work contract awarded for demonstration road improvement to Hanwella–Polpitiya road
	17 September	Commencement of construction of 36 demonstration roads in the 36 <i>pradeshiya sabha</i> divisions
2004	13 April	ADB Vice-President approved change in implementation arrangements to include flood-damaged roads and pedestrian bridges
	20 April	Reallocation of loan approved by ADB Vice-President to include rehabilitation of flood-damaged roads and pedestrian bridges from credit component
	28 April	EA role transferred by government from MSRDC to Ministry of Rural Infrastructure Development
	30 April	Services of lead EDS consultant terminated

Year	Date	Event
	1 May	Special committee appointed for evaluation of EDS proposal and to make recommendations to the project director on EDS component
	5 May	Amendment to loan agreement to reallocate fund to flood rehabilitation activities
	10–13 May	ADB special project administration mission
	11 May	ADB special project administration mission meeting with the Prime Minister to review project, specifically the issue of gravel versus sealed or paved road surfaces
	1 August	Services of 32 EDS providers extended out of the registered 72 EDS providers after conducting performance evaluation
	11 August	PMO signed agreement with civil works contractor for construction of rural roads (i.e., Southern Construction for Koggala–Telawila Road) 326 km of rural roads without surface layer commenced construction due to lack of suitable gravel (completed 30 June 2006)
	17 August	PMO signed agreement with civil works contractors to repair 605 km of flood-damaged roads (i.e., Selaka Associates for Baddegama, package 2) Commenced repair of 605 km of flood-damaged roads (completed 23 August 2006)
	19 October	Project implementation consultant contract signed after protracted handling of process by government
	1 November	PICs commenced
	3–11 November	ADB review mission
	16 November	PMO workshop with political leaders in <i>pradeshiya sabhas</i> to promote the merits of rural gravel road maintenance
	30 November	Replacement lead EDS provider required to submit a technical proposal for services to PMO
	1 December	Appointment of new project director, following retirement of the first project director
	24 December	Proposal submitted by replacement lead EDS provider, ISB Services
	26 December	Tsunami occurred in Southern Province
2005	14–15 February	ADB special project administration mission to discuss issues related to tsunami in project area
	17 February	PMO signed agreement with the Urban Development Authority for detailed market design
	18 March	ADB concurred to provide 88% of each credit line subloan, with balances from PFIs and subborrower contribution in kind or in cash, to be monitored.
	1 May	PMO signed agreement with Harini Enterprises for construction of Angunukolapalassa Market in Hambantota District
	26 May	PMO signed agreement with Archimedia for detailed market design
	30 May	PMO signed agreement with S. K. Builders for construction of Katuwana Market in Hambantota District
	1 June	PMO signed agreement with Udaya Construction for construction of Pannegamuwa Market in Hambantota District
		PMO signed agreement with Hettiarachchi Construction for construction of Barawakumbuka Market in Hambantota District
		PMO signed agreement with Hansagiri for construction of Ambalanthota Market in Hambantota District
		PMO signed agreement with H. M. A. Engineering for construction of Sooriyawewa Market in Hambantota District
	7 June	PMO signed agreement with Priyankara Construction for construction of

Year	Date	Event
		Uragasmanhandiya Market in Galle District
	13–20 June	ADB loan review mission
	15 June	Recruitment of 20 technical staff members and 3 engineers to augment the capacity in the Local Government Department completed
	8 August	Improving revenue mobilization in <i>pradeshiya sabhas</i> presentation report submitted by public finance management international consultant
	24 August	PMO signed agreement with Athulya Building Construction for construction of Weeraketiya Market in Hambantota District
	November	The Ministry of Rural Infrastructure Development renamed the Ministry of Rural Development
		ADB mission visited project sites in Baddegama <i>pradeshiya sabha</i> , and agreed on an approach and work program to complete the first phase of upgrading rural roads
2006	1 February	PMO signed agreement with Kumarage Enterprises for construction of Talgaswala Market in Galle District
	6–10 February	ADB special project administration mission
	15 February	PMO signed agreement with new lead EDS provider
	1 March	Administration of project delegated to Sri Lanka Resident Mission
	March	Replacement lead EDS consultant commenced (contracted to March 2008)
	22–23 May	ADB special project administration mission
	June	PICs interim report submitted
	5–16 July	ADB disbursement audit review
	16 August	Capacity improvements in <i>pradeshiya sabhas</i> report submitted by public finance specialist
	12–27 August	ADB midterm review mission
	30 August	Government requested a major change in scope to improve gravel roads to paved surfaces
	August	ADB approved major change in scope after a government request to improve selected project roads with paved surfaces and concrete; project scope reduced from 1,050 km of gravel roads to 245 km of paved roads
	4 October	Memo submitted for major change in scope and reallocation of funds to civil works from credit component to complete rural roads sealed surface and pavement
	27 October	ADB approved minor change in implementation arrangement and appointment of individual consultant to supervise the works
	30 October	PMO signed agreement with H. Lioanal for construction of Morawaka Market in Matara District
		PMO signed agreement with Udaya Construction for construction of Makandura Market in Matara District
	24 November	PMO signed agreement with KDAW to complete 27.04 km of rural roads in Ambalangoda, Balapitiya, Elpitiya, and Karandeniya <i>pradeshiya sabhas</i> .
		PMO signed agreement with KDAW to complete 25.94 km of rural roads in Akmimana, Habaraduwa, Hikkaduwa, and Yakkalamulla <i>pradeshiya sabhas</i> (P2)
		PMO signed agreement with KDAW to complete 26.79 km of rural roads in Baddegama, Nagoda, Neluwa, Niyagama, and Thawalama <i>pradeshiya sabhas</i> (P3)
		PMO signed agreement with KDAW to complete 28.10 km of rural roads in Ambalantota, Hambantota, Lunugamwehera, and Tissamaharamaya <i>pradeshiya sabhas</i> (P87)

Year	Date	Event
	21 December	PMO signed agreement with W. G. M. M. Pathmini to complete 34.9 km of rural roads in Devenuvara, Dickwella, Matara, Thihagoda, and Weligama <i>pradeshiya sabhas</i> (P4)
		PMO signed agreement with W. G. M. M. Pathmini to complete 31.97 km of rural roads in Akuressa, Hakmana, Kaburupitiya, and Malimbada <i>pradeshiya sabhas</i> (P5)
		PMO signed agreement with W. G. M. M. Pathmini to complete 33.98 km of rural roads at Agunukolapellessa, Beliatta, Katuwana, Thangalle, and Weeraketiya <i>pradeshiya sabhas</i> (P8)
	28 December	PMO signed agreement with CML to construct six pedestrian bridges in Matara District (M1) and six pedestrian bridges in Galle District (G2)
The Ministry of Rural Development transferred to the Ministry of Nation Building and Estate Infrastructure		
2007	1 March	Establishment of senior resident engineer offices in the three districts
	27 March	PMO signed agreement with Ileperuma Construction for construction of Kamburupitiya Market in Matara District
		PMO signed agreement with Kumarage Enterprises for construction of Urubokka Market in Matara District
		PMO signed agreement with Sripali Construction for construction of Neluwa Market in Galle
	1 May	Material testing laboratory established under preliminaries of road surfacing
	4 May	ADB imprest ceiling increases from \$1.382 million to \$1.500 million
	17–23 July	ADB project review mission, including disbursement audit review
	July	All funds allocated under the credit component committed
	31 August	NDB commenced operation of revolving fund for credit component
	November	Final report of local government specialist submitted
	12 December	PMO signed agreement with B. K. G. Aruna Construction for construction of Walasmulla Market in Hambantota District
	17 December	PMO signed agreement with Kumarage Enterprises for improvements to Angunukolapalassa and Uragasmanhandiya markets (additional works)
		PMO signed agreement with Wiewikrama Construction for construction of Beliatta Market in Hambantota District
	20 December	PMO signed agreement with Finite to complete 3.03 km of rural roads in Agunukolapella, Beliatta, Hambantota, Tangalle, and Thissamaramaya <i>pradeshiya sabhas</i> (P9)
	20–21 December	ADB special project administration mission focused on roads and pedestrian bridges (two deaths were reported from falling off temporary bridges)
28 December	PMO signed agreement with Star to complete 18.16 km of rural roads in Kotapola and Mulatiyana <i>pradeshiya sabhas</i> (P6A)	
	PMO signed agreement with Star to complete 8.64 km of rural roads in Pasgoda <i>pradeshiya sabha</i> (P6B)	
	PMO signed agreement with Kumarage Enterprises for construction of Baddegama Market in Galle District	
2008	28 January–1 February	ADB loan disbursement mission
	1 February	Addendum to subsidiary loan agreement between the government and NDB signed
	2 February	Lead EDS provider final report submitted
	28 February	Lead EDS provider completed assignment
	1 March	SPDA selected for monitoring of revolving fund

Year	Date	Event
	11 March	Appointment of new project director
	24–29 March	ADB project review mission
	30 April	Public finance management specialist (domestic) final report submitted
	12 May	Extension of loan closing approved from 31 July 2008 to 31 July 2009
	5 June	Termination of two contract packages (P4 and P5) due to poor performance and CGF guarantees applied for recovering unsettled mobilization advance
	15 June	Project director resigned
	3–5 July	ADB special project administration mission (due to delayed work on pedestrian bridges completion)
	9 July	PMO signed agreement with University of Ruhuna to conduct survey on impact of credit component
	13 July	Extension of loan closing date approved from 31 July 2008 to 31 July 2009
	24 July–20 November	Survey conducted on impact assessment of credit component
	28 July	PMO retended the terminated two contracts by dividing into six contract packages (5A, 5B, 5C, 4A, 4B, and 4C)
	September	Performance of Padmini Construction very poor and terminated for two contracts in Matara District and one in Hamabantota District
	6 October	PMO terminated another contract package (P8) due to poor performance and applied CGF guarantees to recover unsettled mobilization advance
	23 October	Contractor packages P4, P5, and P8 filed case in Galle District Court against the termination of contract and encashment of CGF guarantee
	November	Credit component completed
	4–8 November	ADB project review mission
	10 November	PMO signed agreement with K. D. A. Weerasinhe to complete 5.19 km of rural roads in Akkuressa, Athraliya, and Kaburupitiya <i>pradeshiya sabhas</i> (5A)
		PMO signed agreement with Star Construction to complete 8.4 km of rural roads in Devinuwara, Matara, and Thihagoda <i>pradeshiya sabhas</i> (P4A)
		PMO signed agreement with Ruhunu Development to complete 7.87 km of rural roads in Hakmana <i>pradeshiya sabha</i> (P5C)
		PMO signed agreement with K. D. A. Weerasinhe to complete 7.46 km of rural roads in Weligama <i>pradeshiya sabha</i> (P4C)
		PMO signed agreement with K. D. A. Weerasinhe to complete 6.18 km of rural roads in Dickwella <i>pradeshiya sabha</i> (P4B)
		PMO signed agreement with Nawaloka to complete 11.4 km of rural roads in Kamburupitiya and Malimbada <i>pradeshiya sabha</i> (P5B)
	3 December	PMO signed agreement with Anura Wijenayake to complete 9.85 km of rural roads in Hambantota, Sooriyawewa, and Tissamaharama <i>pradeshiya sabhas</i> (P14)
		PMO signed agreement with Anura Wijenayake to complete 6.35 km of rural roads in Ambalantota, Katuwana, Tangalle, and Weeraketiya <i>pradeshiya sabhas</i> (P15)
		PMO signed agreement with ELS to construct six pedestrian bridges in Galle District (G2A)
		PMO signed agreement with ELS to construct six pedestrian bridges in Galle District (M1A)
	30 November	Implementation of credit component successfully completed
2009	January	NDB advised that implementation of credit component completed
	9 January	Judgment given in favor of project, and petition filed by the contractor for terminated contract packages P4, P5, and P8 dismissed

Year	Date	Event
	22 January	Contractor of terminated contract packages P4, P5, and P8 appealed
	27 February	PMO signed agreement with Kumarage Enterprises for construction of Hakmana Market in Matara District
	11 March	New project director appointed
	13 March	Application to approve second loan extension of 5 months (cumulative 17 months) revised to 31 December 2009
	30 March	MOFP meeting attended by NDB and POM to discuss issues relating to the revolving fund
	31 March	ADB received letter from NDB to MOFP setting out proposed terms being considered to alter the subloan conditions for the revolving fund
	16 April	Letter from MOFP to NDB regarding approval of subloan terms under the revolving fund, at significant variance with ADB loan agreement with government and ADB PA with NDB
	30 April	Extension of loan closing date approved from 1 August 2009 to 31 December 2009
	4–8 May	ADB project review mission
	5 May	Termination and encashment of bond for contract packages P4, P5, and P8 referred to the Dispute Adjudication Board by contractor
	13 May	PMO signed agreement with Senura to complete 5.92 km of rural roads in Katuwana and Weeraketiya <i>pradeshiya sabhas</i> (P8D)
	14 May	Second addendum to subsidiary loan agreement between government and NDB signed
	27 May	PMO signed agreement with Finite to complete 5.89 km of rural roads in Beliatta <i>pradeshiya sabha</i> (P8C)
	4 June	Government requested reallocation of funds to complete additional road works PMO signed agreement with Canaka to complete 5.15 km of rural roads in Tangalle <i>pradeshiya sabha</i> (P8B)
	9 June	ADB approved major change in implementation arrangement, increase of civil works percentage financed by ADB and reallocation of loan funds
	30 June	PMO signed agreement with Senura to complete 4.86 km of rural roads in Beliatta <i>pradeshiya sabha</i> (P16B) PMO signed agreement with Sripala to complete 3.30 km of rural roads in Weeraketiya <i>pradeshiya sabha</i> (P16D)
	21 July	PMO signed agreement with Trio Construction for construction of Kirama Market in Hambantota District
	20 August	PMO signed agreement with Royal to complete 4.01 km of rural roads in Beliatta <i>pradeshiya sabha</i> (P16A)
	21 August	PMO signed agreement with Kumarage Enterprise for construction of Middeniya Market in Hambantota District
	26 August	PMO signed agreement with Athlya Engineering for construction of Bandarawatta Market in Hambantota District
	9 October	PMO signed agreement with K. G. Aruna Construction for improvements to Katuwana Market (balance work) in Hambantota District
	19–26 October	OFID review mission
	30 October	PMO signed agreement with Ileperuma and Sons for improvement to Kamburupitiya Market (additional works) in Hambantota District
	24–27 November	ADB project review mission
	30 November	

Year	Date	Event
		PMO signed agreement with R. G. Kudaliyanage to conduct project benefit monitoring evaluation study
	November	Impact assessment of credit component submitted
	December	Project impact evaluation report submitted
	31 December	Loan closing date
2010	5 January	Dispute Board gave a judgment in favor of project against the contractor for project packages P4 and P5
	19 January	Contractor disagreed with the adjudicator's decision on project packages P4 and P5 and proposed to commence arbitration
	28 January–1 February	ADB loan disbursement mission
	30 April	The Ministry of Nation Building and Estate Infrastructure transferred to the Ministry of Economic Development
	25 May	Dispute Board judgment in favor of project against contractor for project package P8
	30 June	Contractor disagreed with the adjudicator's decision on project package P8 and proposed to commence arbitration
	5 July	POM submission of draft PCR document
	12–16 July	ADB PCR mission
	22 July	NDB submitted draft PCRs for credit line and revolving fund
	13 August	NDB submitted final PCRs for credit line and revolving fund

ADB = Asian Development Bank; CGF = construction grantee fund, CSC = Consultant Selection Committee; EA = executing agency; EDS = enterprise development service; km = kilometer; MOFP = Ministry of Finance and Planning; MSRD = Ministry of Southern Region Development; NDB = National Development Bank; OFID = OPEC Fund for International Development; OPEC = Organization of the Petroleum Exporting Countries; PCR = project completion report; PFI = participating financial institution; PIC = project implementation contractor; PPMC = Provincial Project Management Committee; PMO = project management office; SPDA = Southern Province Development Authority. Sources: Sri Lanka Resident Mission project files, Southern Province Rural Economic Advancement Project Management Office, and National Development Bank.

PROJECT IMPLEMENTATION SCHEDULE																																
Description	Year 2002				Year 2003				Year 2004				Year 2005				Year 2006				Year 2007				Year 2008				Year 2009			
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
1. Rural Road Maintenance Capacity Improvement																																
a. Initiate consultations with pradeshiya sabha																																
b. Recruit consultant																																
c. Prepare demonstration roads																																
d. Construction of Rural Roads without top layer																																
e. Completion of Rural Roads with Tar of Concrete surface																																
f. Undertake transitional maintenance																																
g. Pradeshiya Sabhas take over financing																																
2. Market Improvement and Upgrading																																
a. Assist pradeshiya sabhs to prepare market plans																																
b. Undertake detailed market design																																
c. Contract out market construction																																
d. Monitor market operations																																

PROJECT IMPLEMENTATION SCHEDULE																																
Description	Year 2002				Year 2003				Year 2004				Year 2005				Year 2006				Year 2007				Year 2008				Year 2009			
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
f. Undertake Project Benefit Monitoring & Evaluation																																
g. Participate in midterm review																																
h. Prepare Project Completion Report																																

 Proposed
 Actual

Source : Southern Province Rural Economic Advancment Project – Project Management Office.

Project Component Annual Disbursement and Approvals

A. Table A10.1 : NDB Credit Line Component

Year	Credit Line Approvals	Credit Line Disbursements
	(SLRs million)	
2003	34.20	7.40
2004	278.30	150.00
2005	248.00	254.00
2006	422.90	231.60
2007	110.50	342.80
2008	0.00	17.40
Total	1,093.90	1,003.20

NDB=National Development Bank, SLRs = Sri Lanka rupees,

Notes: Q1 = January to March, Q2 = April to June, Q3 = July to September, Q4 = October to December, First approval made in July 2003, First disbursement made in November 2003.

Source: National Development Bank.

B. Table A10.2 : NDB Revolving Fund

	Revolving Fund Balance		Revolving Fund Approvals	Revolving Fund Disbursements
			(SLRs million)	
2003	60.00	(e)		
2004	120.00	(e)		
2005	180.00	(e)		
2006	220.00	(e)		
2007	381.77			
2008	582.22		51.88	15.20
2009	676.90		167.00	76.86
August 2010	636.08		221.62	100.94

NDB=National Development Bank, SLRs = Sri Lanka Rupees.

Notes: Q1 = January to March, Q2 = April to June, Q3 = July to September, Q4 = October to December, Revolving loans effective date April 2008, e = PCR Mission estimate.

Source: National Development Bank.

C. Table A10.3 : Enterprise Development Services Expenditure

Year	(\$ million)	
	Appraisal Projected Expenditure	Actual Expenditure
2002	0.46	0.00
2003	1.06	0.11
2004	1.58	0.17
2005	2.09	0.23
2006	2.61	0.39
2007	3.15	0.60
2008	3.15	0.72
2009	3.15	0.76
2010	3.15	0.76

Source: Loan Financial Information System, Asian Development Bank

D. Table A10.4 : Rural Gravel Roads Improvement Expenditure

Year	(\$ million)			
	Appraisal Projected Expenditure	Actual Expenditure Gravel Roads	Actual Expenditure Surfaced Roads	Actual Roads Total
2002	0.47	0.00	0.00	0.00
2003	3.42	0.06	0.00	0.06
2004	6.08	0.49	0.00	0.49
2005	8.84	2.16	0.00	2.16
2006	11.65	3.31	0.29	3.60
2007	11.84	3.74	3.30	7.04
2008	11.84	3.79	7.62	11.41
2009	11.84	3.79	16.89	20.68
2010	11.84	3.79	16.89	20.68

Source: Loan Financial Information System, Asian Development Bank.

E. Table A10.5 : Flood Rehabilitation Expenditure

(\$ million)

Year	Flood Damaged Rural Roads	Flood Damaged Bridges	Total
2002	0.00	0.00	0.00
2003	0.00	0.00	0.00
2004	0.03	0.00	0.03
2005	0.85	0.00	0.85
2006	1.04	0.34	1.38
2007	1.19	2.45	3.64
2008	1.21	4.79	5.99
2009	1.21	6.71	7.91
2010	1.21	6.71	7.91

Source: Loan Financial Information System, Asian Development Bank

F. Table A10.6 : Rural Markets Expenditure

(\$ million)

Year	Appraisal Projected Expenditure	Actual Expenditure
2002	0.02	0.00
2003	0.97	0.00
2004	1.94	0.00
2005	2.44	0.80
2006	2.44	1.43
2007	2.44	2.00
2008	2.44	3.47
2009	2.44	4.66
2010	2.44	4.66

Source: Loan Financial Information System, Asian Development Bank

G. Table A10.7 : Financial Management and Project Implementation Support Consultants Expenditure

(\$ million)

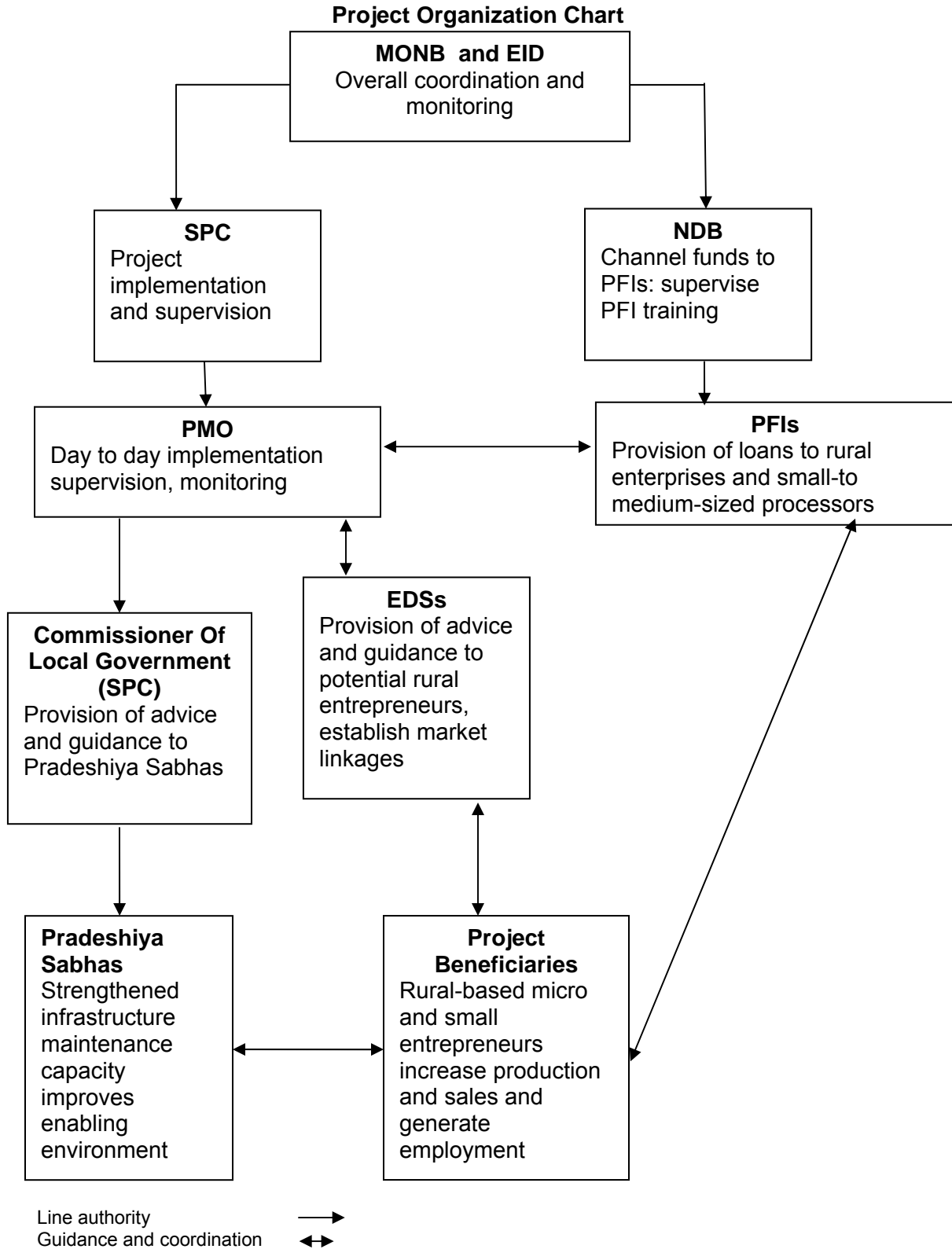
Year	Appraisal Projected Expenditure	Actual Expenditure
2002	0.28	0.01
2003	0.64	0.24
2004	0.88	0.28
2005	1.07	0.49
2006	1.27	0.65
2007	1.41	0.82
2008	1.41	0.92
2009	1.41	0.95
2010	1.41	0.95

Source: Loan Financial Information System, Asian Development Bank

H. Table A10.8 : Project Management Office Component Expenditure

(\$ million)		
Year	Appraisal Projected Expenditure	Actual Expenditure
2002	1.10	0.12
2003	1.54	0.82
2004	1.92	1.07
2005	2.23	1.53
2006	2.53	1.96
2007	2.88	2.39
2008	2.88	2.90
2009	2.88	3.20
2010	2.88	3.20

Source: Loan Financial Information System, Asian Development Bank



EDSs = enterprise development services, MONB and EID = Ministry of Nation Building and Estate Infrastructure Development (formally Ministry of Plan Implementation – at Appraisal), NDB = National Development Bank of Sri Lanka, PFIs = participating financial institutions, PMO=project management office, SPC= Southern Provincial Council.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
1. The Borrower to establish imprest accounts for the project's credit and non-credit components.	Schedule 3, Para 8 (a)	Complied with.
2. Ministry of Plan Implementation to be the project's Executive Agency.	Schedule 6, Para 1	Complied with. This ministry's name was changed five times during the project (i.e., to the Ministry of Southern Region Development, Ministry of Regional Infrastructure Development, Ministry of Rural Development, and Ministry of Nation Building and Estate Infrastructure Development).
3. Southern Provincial Council (SPC) to implement part 1 (A) and 2 (Noncredit components) of the project, and the National Development Bank (NDB) to implement Part 1(B) (Credit component) of the Project.	Schedule 6, Para 2	Complied with.
4. Borrower to (i) ensure that the project office premises of the ADB –funded Southern Province Rural Development Project shall be used for this project. (ii) establish and staff a PMO district coordinating and monitoring office in each of Galle, Matara, Hambantot; and (iii) ensure that existing facilities of the Integrated Rural Development Programs in Matara and Hambantota shall be used for this Project.	Schedule 6, Para 3	Complied with. (i) Used same PMO of the Southern Province Rural Development Project. (ii) Established district coordinating offices in three districts. (iii) Integrated Rural Development Project offices were used for district offices in Hamantota and Matara.
5. The Borrower shall ensure that the three district offices function under the direction of the Project Director	Schedule 6, Para 4	Complied with. Three district offices functioned under the project director.
6. Borrower to establish: (i) a National Steering Committee (NSC), (ii) a Provincial Advisory Committee (PAC) (iii) a Project Management Committee (PMC).	Schedule 6, Paras 5 to 6	(i) Complied with, but delayed. (ii) Complied with. (iii) Complied with.
7. The Borrower shall ensure that SPC and PMO implement Part 1(A) of the Project as described in the loan agreement and perform all obligations under the LEDES Technical Support Provider Agreement.	Schedule 6, Para 8	Complied with but delayed due to the late appointment of a LEDES and performance of obligations.
8. Agreements will be signed between PMO and each participating EDS provider within 6 months of loan effectiveness (Schedule 6, Para 9).	Schedule 6, Para 9	Complied with. Although agreements were signed, implementation was delayed.
9. PMO to ensure that the provision of EDS services should begin to be self-financing by the end of the project, and that for this	Schedule 6, Para 10	Partly complied with. Some EDS services are able to be self-financing after the project.

Covenant	Reference in Loan Agreement	Status of Compliance
purposes, the EDS contracts shall be in one of two forms(i) a retainer contract or (ii) a contract for specific identified activities.		
10. The lead EDS provider will ensure that each EDS provider will develop an annual work plan and consolidate all such work plans prior to the commencement of each year during the Project.	Schedule 6, Para 11	Complied with. EDS providers submitted annual work plans, and some are operating under the revolving fund.
11. PMO to ensure that training provided by EDS agencies shall be demand driven.	Schedule 6, Para 12	Complied with. The PMO provided training through the LEDS.
12. The Borrower shall ensure that NDB implements the Credit Component as describe in the loan agreement and perform all obligations under Subsidiary Loan Agreement.	Schedule 6, Para 13	Partly complied with. NDB did not have expected coordination with EA and PMO.
13. The project implementation unit at NDB will be established and staffed within one month of loan effectiveness and prior to relending of loan proceeds by the Government to NDB.	Schedule 6, Para 14	Complied with. NDB appointed staff on time to implement the credit component.
14. NDB to serve as the apex agency for the credit component.	Schedule 6, Para 15	Complied with.
15. A participation agreement will be signed between NDB and each PFI setting out the terms and conditions for relending from NDB to each PFI and from each PFI to end borrowers, including detailed operating instructions for the PFIs prior to any relending of loan proceeds by the Government.	Schedule 6, Para 16	Complied with. NDB signed the agreements with 10 PFIs.
16. NDB and each PFI will implement the PFI operating instructions during the term of the Project.	Schedule 6, Para 17	Complied with but implementation was slow.
17. NDB shall submit quarterly reports to PMO and the Bank on overall credit activities.	Schedule 6, Para 19	Complied with.
18. Within one year of loan effectiveness, NDB will establish a revolving fund to credit interest payments and principle payments by the project PFIs, and NDB will maintain the revolving fund for at least 15 years.	Schedule 6, Para 20	Complied with but delayed. Although the revolving fund is operating, its progress is unsatisfactory.
19. The Borrower shall ensure that NDB and each PFI implements the PFI operating instructions during the term of the Project.	Schedule 6, Para 21	Complied with.
20. The Borrower and NDB shall ensure that NDB provides orientation to PFI staff on EDS operation under the Project.	Schedule 6, Para 22	Complied with. NDB provided training for PFIs, EDS providers, and district chambers.
21. The credit line established under Part I will not be subject to debt amnesty or any other forgiveness of loan payment obligations.	Schedule 6, Para 23	The government has not granted any debt amnesty.
22. SPC to enter into agreements with each participating pradeshiya sabha (PS) not later than 6 months after the effective date.	Schedule 6, Para 24	Partially complied with. Agreements were not fully implemented.
23. The Borrower shall ensure that at the	Schedule 6,	Complied with. DLG conducted

Covenant	Reference in Loan Agreement	Status of Compliance
inception of the Project, staff of SPC Department of Local Government (DLG) shall conduct each <i>pradeshiya sabha</i> to explain the Project,	Para 25	the awareness program for <i>pradeshiya sabhas</i> with the assistance of PMO staff.
24. Borrower to ensure that (i) all roads for which maintenance funding shall be provided out of loan proceeds, (ii) no project funds are disbursed to any <i>pradeshiya sabha</i> until it has budgeted the full amount of the required contribution for road maintenance for the upcoming year.	Schedule 6, Paras 26	Not applicable, as the project did not provide maintenance funds due to the change of scope from gravel roads to paved roads.
25. The Borrower shall ensure that SPC ensures that participating <i>pradeshiya sabhas</i> demonstrate that their commitment to improving annual financing for infrastructure maintenance over a four year period.	Schedule 6, Paras 27	Partly complied with. Some <i>pradeshiya sabhas</i> have opened separate accounts for road and market maintenance and to increase funding allocation.
26. The Borrower shall ensure that no project funds are disbursed to any <i>pradeshiya sabha</i> until it has met the foregoing condition.	Schedule 6, Paras 28	Not applicable, as the project did not provide maintenance funds due to change of scope from gravel roads to paved roads.
27. Borrower to ensure that (i) participating <i>pradeshiya sabha</i> in the market upgrading component will submit market upgrading plans which would include plans for market management and maintenance as well as formulation of a financing structure for operation, solid and liquid waste disposal, (ii) market designs and layouts are developed in consultation with market users, and (iii) construction shall be under taken on a contract basis under the supervision of the Dept. of Local Government.	Schedule 6, Para 29	Partly complied with. Some <i>pradeshiya sabhas</i> are unable to implement management plans. The commissioner of local governments issued a circular to help implement the management plans.
28. The Borrower shall ensure that each agency involved in Project implementation (EDS agencies, PMO, NDB and PFIs) to establish and maintain accounts and records of Project Progress and expenditures.; and furnish certified copies of audited accounts and the Audit Reports (for the credit and non-credit components) to ADB.	Schedule 6, Paras 32-34; PA, Sec 3.02 & 3.05 (a)	Complied with. All agencies established separate accounts.
29. PMO to have the Project account for project activities and to submit audited financial statements annually	Schedule 6, Para 33	Complied with. The PMO established a project account and submitted audited reports.
30. NDB shall establish a separate unit to maintain detailed record on Credit Component and accounts of NDB and PFIs shall be audited annually by independent auditors.	Schedule 6, Para 34	Complied with. NDB established a project account unit and submitted audited reports.
31. NDB and SPC to submit quarterly reports, which the PMO shall consolidate and submit to ADB.	Schedule 6, Paras 19 & 35	Complied with.

Covenant	Reference in Loan Agreement	Status of Compliance
32. Borrower to conduct a comprehensive Project Midterm Review.	Schedule 6, Para 41	Complied with.
33. Borrower to ensure that environmental and social considerations (including the applicable laws and regulations of the borrower and ADB's guidelines on environment and gender and development) are implemented.	Schedule 6, Para 46	Complied with.
34. Borrower and NDB to furnish ADB a project Completion Report.	Sec 4.07 (c); PA Section 3.04 (c)	Complied with but delayed. Both PCRs from the PMO and NDB were submitted late.

ADB = Asian Development Bank; DLG = Department of Local Government; EA = executing agency; EDS = enterprise development service; LEDS = lead enterprise development service; NDB = National Development Bank; PFI = participating financial institutions; PMO = Project management Office; SPC = Southern Provincial Council

CONSULTANT RECRUITMENT AND PROCUREMENT DETAILS

A. General

1. All consulting services for the Southern Province Rural Economic Advancement Project, including those financed by the OPEC¹ Fund for International Development (OFID), were engaged in accordance with Guidelines on the Use of Consultants (2010, as amended from time to time) of the Asian Development Bank (ADB). Consulting services for national and international consultants were initially recruited through a firm in three packages: (i) lead enterprise development service (EDS) provider; (ii) project implementation consultants (PICs), providing public finance management and rural road engineering services; and (iii) benchmark survey consultants. After the midterm review, another package was added to accelerate the implementation of increased civil works to ensure the quality of construction. This involved individual recruitment of a team of engineering consultants because of the nature of expertise required.

B. Lead Economic Development Service Provider

2. Recruitment of the lead EDS provider by local consultant bidding (LCB) was protracted. Advertisements for consultant expression of interest were issued on 16 September 2001. The Government of Sri Lanka's shortlisting was slow, and after an ADB consultation mission from 19 to 21 March 2002 expressed concern, the Ministry of Southern Region Development issued a letter of invitation to five firms on 22 March 2002.

3. In June 2002, the Consultant Selection Committee reviewed and confirmed the government's evaluation of technical proposals and concurred with the government's proposal to proceed with contract negotiations with the first-ranked firm. Between July and October 2002, there was extended correspondence between the executing agency (EA) and ADB on progress with the selected firm. ADB tried to guide the process, as negotiations were not occurring on the firm's proposed inputs and costs. Moreover, the firm's financial proposal for activities for the first 3 years exceeded the project cost estimate for the entire 5 years of the contract.

4. Ultimately, the EA agreed to a contract value with this firm of about SLRs44 million, much lower than the originally proposed amount, by reducing inputs and activities. The government sent ADB a copy of the signed agreement between RDA and the consulting firm, based on the EA's assurances that it would get the required outputs from the firm. ADB accepted the draft negotiated contract but suggested that a performance evaluation clause be added.

5. The country director of the Sri Lanka Resident Mission soon received reliable information that the selected firm had no agribusiness experience and had not submitted financial statements for last 8–9 years. The director of the South Asia Department, Agriculture, Environment and Natural Resources was advised and requested that an ADB staff member look into the matter during a mission in October 2002. The staff member visited the firm's office on 1 November 2002 to make an assessment of its experience and capacity. Unfortunately, the information provided by the firm raised doubts as to its credibility and capacity.

6. ADB asked the government to reconsider using the firm before the contract was finalized. The government thus decided to renegotiate the contract with the firm, reevaluate the

¹ Organization of the Petroleum Exporting Countries.

proposals, or reinstate bids for the contract. However, it was found the EA had not only signed the draft agreement with the firm but also the actual contract.¹ Therefore, the government had no choice but to submit the lead EDS provider agreement to ADB on 12 December 2002, and a revised contract was signed incorporating defined performance review times, benchmark performance indicators, and an initial 1-year contract term for this firm.

7. The firm, the lead EDS provider, commenced services on 7 January 2003, an elapsed time of 16 months from the project commencement, causing significant delays to mobilizing support for the credit component. It soon became apparent that the firm was performing poorly.² After discussions between ADB and the EA, the contract was terminated on 30 April 2004 after ad hoc extensions of the initial 1-year contract by 4 months.

8. Although ADB pressed for the urgency of appointing another lead EDS provider, this was delayed. The government was slow to recruit, despite an agreement with the ADB special project administration mission in May 2003 to review the other, initial shortlisted firms. Then, although the government promised the ADB loan review mission in November 2004 to ask the replacement lead EDS provider to submit technical and financial proposals by the end of November 2004 with a view to mobilization by 20 December 2004, it did not do so. Further delays arose during the ADB special project administration mission in February 2005, when new project director proposed to create a project management office (PMO) unit to replace the lead EDS provider. The mission did not agree to this proposal and emphasized that the lead EDS provider should be a private sector arm of the PMO.

9. ADB reviewed a proposal by Industrial Service Bureau (ISB), who was part of a business development center network and had a strong presence in Southern Province as well as an office in Matara. ADB advised the government that this proposal should be finalized without further delay. Yet further delays occurred, and the June 2005 loan review mission suggested that the EA discuss the proposal with ISB to obtain needed clarification, including a detailed action plan, and to finalize the contract without further delay. If required, the EA could obtain an independent assessment of the performance of ISB on another ADB project. After more delays, the February 2006 ADB special project administration mission reviewed a draft agreement for the replacement lead EDS provider finalized by the EA and provided suggestions to note when finalizing the agreement. Finally, the PMO signed an agreement with the replacement lead EDS provider, ISB, on 15 February 2006. The consultants were mobilized in March 2006, an elapsed time after the termination of the initial consultants of 23 months.

C. Project Implementation Consultants

10. Recruitment of the PICs by international consultant bidding (ICB) was similarly drawn out. The government advertised the consultancy in May 2002, and the shortlisted and draft invitations were prepared and sent to ADB in December 2002. During the ADB inception mission in January 2003, the government sought to use the quality and cost-based selection method and awaited ADB concurrence. Then, during the ADB special project administration missions in November 2003 and May 2004, concern was expressed regarding recruitment delays, which were pending because of contradictory recommendations by the negotiating committee and the Tender Board. The EA minister and secretary agreed that expeditious action would be taken to reconvene the Tender Board to review the successfully concluded

¹ The contract could not be signed until loan effectiveness, and ADB approval of the lead EDS provider agreement was a condition of loan effectiveness.

² First cited in the aide-mémoire of the special project administration mission in November 2003.

negotiations with the first-ranked firm. Although this firm had quoted a very low cost, the project director expressed his confidence in their ability to deliver.

11. The contract with the PICs was finally signed on 19 October 2004, and a few members of the PIC team commenced work on 1 November 2004, an elapsed time of 28 months, causing significant delays to mobilizing support for the sustaining the enabling environment part of the project.

D. Goods and Services

12. Goods and services financed by ADB and OFID were procured in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). Under part I, the major items procured for the lead EDS providers were equipment and materials by the PMO. The National Development Bank established procurement procedures acceptable to ADB that were used by subborrowers procuring goods and services financed under the credit component. For part II, the major goods and services procured were equipment and materials as well as civil works. Equipment comprised office, information technology, communications, and training equipment for the PMO, Department of Local Government (part of the Southern Provincial Council), and selected EDS agencies. As all contracts for goods and services were \$100,000 or less, procurement was through direct purchase.

E. Civil Works Contracts

13. Civil works contracts, intended to be modest at project appraisal, subsequently became more significant with the major changes to the loan. It was changed from anticipated routine road maintenance works and market upgrading under part II to include road surfacing with asphalt and concrete, rehabilitation of flood-damaged gravel roads, and the construction of steel and concrete pedestrian bridges capable of accommodating small three-wheel vehicles and farm tractors. Procurement comprised many small contracts for road maintenance, road resurfacing, and construction of market facilities. At appraisal, it was envisaged that no single contract was likely to exceed \$200,000. Therefore, it was proposed that the procurement of civil works for road maintenance contracts would take a variety of forms, and could entail a full package contract with the rental of equipment along with the use of hired labor. The use of local direct purchase or other practices that were shown to be acceptable to ADB.

14. With the inclusion of the flood-damaged roads and pedestrian bridges, larger contracts were involved. The procurement of civil works contracts were estimated to cost the equivalent of more than \$1.0 million, and each supply contract for equipment and materials was estimated to cost the equivalent of more than \$0.5 million. They were to be awarded on the basis of ICB. Civil works for market improvement were to be awarded through LCB using procedures acceptable to ADB.

15. Details of the civil works contracts are provided in Appendix 2 and involved (i) 35 individual LCB contracts for 35 demonstration gravel rural roads with an average contract value of SLRs1.64 million, ranging from SLRs0.20 million to SLRs2.53 million; (ii) 132 individual LCB contracts for 141 partially formed gravel rural roads with an average contract value of SLRs2.48 million, ranging from SLRs0.09 million to SLRs16.21 million; (iii) 27 individual LCB contracts for 214 rural road surfacing and rehabilitation with an average contract value of SLRs64.52 million, ranging from SLRs11.69 million to SLRs168.94 million; (iv) 77 individual LCB contracts for the rehabilitation of 508 flood-damaged gravel rural roads with an average contract value of SLRs1.54 million, ranging from SLRs1.03 million to SLRs15.42 million; (v) 5 individual contracts

(3 ICB and 2 LCB) for the replacement of 18 flood-damaged pedestrian bridges with an average contract value of SLRs137.31 million, ranging from SLRs36.86 million to SLRs234.30 million; and (vi) 23 individual LCB contracts for 23 rural polar markets with an average contract value of SLRs20.35 million, ranging from SLRs7.10 million to SLRs42.80 million.

16. Eight of the contracts issued for the rural road surfacing and rehabilitation works, including three terminated contracts, exceeded the \$1 million limit for LCB contracts, following ADB agreement in February 2006 that ICB contract procedures did not apply due to the lack of interest from international firms for contracts below \$3 million in Sri Lanka. During the ADB midterm review mission, it was found that the technical specifications in bid documents for the civil works did not match the bill of quantities. The Sri Lanka Resident Mission and PICs had several meetings with the PMO to update the bid documents to enable the procurement process to continue.

F. Service Contract Procurement

17. Service contracts for EDS training were awarded on the basis of LCB among prequalified agencies using ADB guidelines. Service contracts for EDS providers were through direct purchase, negotiated on the basis of pre-selection of the service providers and with payment of standard fees. Service contracts were issued for an impact evaluation study of the project and an impact assessment of the credit component using LCB procedures.

ECONOMIC AND FINANCIAL REAPPRAISAL

A. Introduction

1. At project appraisal, it was assumed that the Southern Province Regional Economic Advancement Project would have a direct impact on the province's economy by (i) correcting market failure where information and new technology, which is required to establish new business enterprises, reached a limited number of entrepreneurs, and where inadequate marketing facilities and infrastructure impeded the marketing of produce; (ii) contributing to an equitable adjustment for the skewed distribution of economic opportunities in the project area by addressing the needs of identified socially vulnerable groups, such as women and unemployed youth; (iii) complementing the economic advancement impact of other Asian Development Bank (ADB)-funded projects, such as Southern Provincial Roads Improvement and Southern Transport Development projects; and (iv) generating nonquantifiable benefits, such as improved sanitation standards, by bettering market facilities and expanding employment by helping entrepreneurs establish new enterprises and upgrade existing businesses.

B. Demand Analysis

1. Demand for Improvement of Markets and Rural Roads

2. At project appraisal, rural markets (active 1 or 2 days per week) comprised the most important marketing channel for farm produce in the project area. Most produce for local consumption is traded at these markets, and wholesale traders catering to urban markets also procure much of their fruits and vegetables from farmers and other traders there. The demand for better-quality vegetables and fruit was ascertained to be strong, both for local consumption and for urban markets.¹ However, the existing markets were unsuitable for the high-quality produce trade due to their low sanitation standards and uncovered and earthen-floored facilities. Produce was also damaged during transit due to the poor quality of local rural access roads. Quantitative and qualitative produce losses incurred in the local marketing chain were estimated at about 40% of farm gate production.² Appraisal discussions undertaken with producers and traders in the existing markets identified better facilities and management among their top priorities.³ Improvement of the quality and efficiency of markets and local access roads were viewed as directly benefiting consumers, farmers, and traders.

3. The project consultant's economic impact assessment did not quantify the project's roads, although it mentioned that the new markets made a substantial impact in improving income, creating employment, and bettering the quality of life of the communities and the income generation of *pradeshiya sabhas* (local governments).⁴ Market surveys conducted by the project management office (PMO) quantified impacts for the nine markets surveyed, and the results are in Table A2.9. These surveys established that the rural markets generated significant growth in economic activity thanks to the market upgrades, although they did not result in additional wholesale or retail markets days, as only 1 additional retail market day was recorded. The effectiveness of the rural market upgrades was demonstrated through a 150% increase in the number of stalls available, along with the creation of permanent shops (i.e., 46 shop units were created in the nine markets surveyed, and these shops operated outside of market days).

¹ ADB. 2001. Southern Province Rural Economic Advancement Project. Consultant's report. Manila (TA3385-SRI)

² ADB. 2001. Southern Province Rural Economic Advancement Project. Consultant's report. Manila. (TA 3385_SRI)

³ ADB. 2001. Southern Province Rural Economic Advancement Project. Consultant's report. Manila. (TA3385_SRI)

⁴ Government of Sri Lanka, Ministry of Nation Building 2009. SPREAP Impact Evaluation Study, Galle. (p. 58 and p. 62.)

There was a 70% increase in operating stallholders on market days, and an 80% increase in market shoppers. Weekly market turnover increased by some 75%, recording an average weekly turnover increase from SLRs4.6 million to SLRs8.0 million. Further, the annual income for *pradeshiya sabhas* from market operations increased 115%, with the market average increasing from SLRs0.8 million to SLRs1.7 million. No analysis was conducted on the quantitative and qualitative produce loss reduction, although it is likely that part of the 75% trader turnover increase would comprise such loss reduction.

2. Demand for Credit

4. At project appraisal, the demand for credit by potential Southern Province entrepreneurs was estimated from the past experience of financial institutions participating in small and medium-sized enterprise (SME) development initiatives.¹ From 1997 to 2002, the countrywide aggregate demand for SME credit for 13 prospective participating financial institutions was about \$262.5 million, out of which \$68.0 million was for 2001. About 10%–15% of this estimated demand was expected to emanate from the project area. Assuming a continuation of the historical growth in credit demand of 15%–20% per year, the credit demand among SME enterprises in the project area was assessed to be at least \$60.0 million.

5. The reduction of the credit component as a result of major project fund reallocation reduced the loan allocation in SDR by 42%, from SDR10.855 million to SDR6.311 million, although the favorable movement of the US dollar to SDR only resulted in a 9% reduction of the credit component, from \$20.0 million to \$18.2 million, and a 14% reduction in the Sri Lanka rupee value of subloan disbursement by the National Development Bank from SLRs1,270 million to SLRs1,094 million, as a consequence of favorable movements between the Sri Lanka rupee and SDR. The project thus provided for around one-third of the assessed credit demand expected at appraisal.

C. Economic Analysis

1. General

6. Prices and other information used in the project appraisal analysis were identified through market surveys and observations. To determine the expected direct benefits of the components, quantifiable effects were valued by comparison of with- and without- project scenarios. The basic assumptions included (i) a world price numeraire; (ii) values expressed in constant 2001 prices to exclude inflation; (iii) the Sri Lanka rupee as the unit of account, and the exchange rate as the prevailing rate at the time of project appraisal (SLRs90 per \$1); (iv) for nontraded goods and services, a standard conversion factor of 0.9 and a shadow wage rate of 0.75; and (v) exclusion of transfer payments, such as taxes and subsidies, in the calculation of economic values. The reappraisal was undertaken using similar relevant assumptions: (i) values expressed in constant 2009 prices, the year of project completion; (ii) actual project costs converted to 2009 values using the Manufactures Unit Value Index, a proxy for the price of developing country imports of manufactures, for all foreign costs, and the Colombo Consumers' Price Index² for all local costs; (iii) the Sri Lankan rupee as the unit of account; (iv) for nontraded

¹ Figures were based on projections from ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Partial Credit Guarantee to the Democratic Republic of Sri Lanka for the Small and Medium Enterprise Assistance Project*. Manila (Loan 1552-SRI, for \$5 million and \$50 million, approved 5 June).

² The index is compiled by the Department of Census and Statistics, and the version used was the Core Inflation Index based on the Colombo Consumers' Price Index and used for monetary policy purposes. The core inflation

goods and services, a standard conversion factor of 0.9 and a shadow wage rate of 0.75; and (v) exclusion of transfer payments, such as taxes and subsidies, in the calculation of economic values.

2. Benefits

7. **Improvement of rural roads.** The economic analysis at appraisal related only to improving and maintaining gravel rural roads, while the final project incorporated four categories of road projects: (i) 31 kilometers (km) of demonstration roads and 328 km of gravel roads, mainly to the subbase level, under the first phase of the project; (ii) 161 km of bitumen-surface roads; (iii) 65 km of concrete pavement roads; and (iv) 605 km of flood-damaged rural gravel roads. The reappraisal was undertaken for all of these roads, rather than just the first phase of roads comparable to the scope at appraisal, using the same appraisal methodology. Benefits of these road enhancements are associated with the initial improvement in road quality plus the retention of that improved condition through timely and appropriate levels of maintenance. Through better compaction and the installation of drains, the improved roads are expected to be within the capacity of the *pradeshiya sabhas* to remain in good condition throughout the project life of 15 years.

8. Benefits include (i) decreased vehicle operating costs, estimated in 2001 prices to decline from SLRs9.0 per km to SLRs6.9 per km as a per vehicle average; (ii) reduced travel time for farmers and consumers, as the average speed on the roads increased from 10 km per hour to 15 km per hour; and (iii) a 15% decrease in the amount of produce spoilage during transport to the markets.¹ Spoilage and traffic benefits were calculated in relation to the volume of business generated by the project markets as contained in the market survey results shown in Table A4.2. Traffic volumes with and without the road improvements were calculated using the road survey information shown in Table A4.1. To be conservative, benefits due to future traffic increases and the higher savings in vehicle operating costs and travel time associated with surfaced roads, which were not included in the appraisal analysis, were not included in the reappraisal analysis.

9. **Rehabilitation of pedestrian bridges.** The rehabilitation of flood-damaged pedestrian bridges was not included at appraisal yet was assessed during reappraisal using a modified analysis based on the rural road appraisal assumptions. Benefits of this activity relate to (i) improved social coherence among the communities; (ii) use of three-wheelers as the main mode of transport for schoolchildren; (iii) new bus services operating on routes where no services had been previously available; (iv) the newly linked road network creating a sense of confidence and safety among women and children as well as the elderly and sick; (v) community participation in sustainable management of the pedestrian bridges; (vi) elimination of the risk of accidents such as villagers and schoolchildren falling into the river; (vii) improved village access increasing property values; and (viii) improved community health conditions as a result of increased visits by government officials as well as quicker and easier access to hospitals.² Benefits taken into account in the reappraisal were restricted to vehicle operating

index excludes the total food group and energy items (e.g., gas, kerosene, firewood, petrol, diesel, and electricity), to obtain a measure of underlying trend in inflation.

¹ Figures were drawn from ADB. 1999. *Technical Assistance to the Democratic Republic of Sri Lanka for the Southern Province Rural Economic Advancement Project*. Manila (TA 3385-SRI, for \$800,000, approved 29 December).

² At Maramba Walihena, as many as 15 deaths were reported, with pedestrians falling in the river prior to completion of the new bridge. Also, a one-perch property in the village of Batuwangala worth SLRs5,000 before construction of the bridge was sold for SLRs10,000 after its construction.

costs and travel time savings, which were tabulated in the PMO-conducted survey at a selection of the pedestrian bridge sites to identify bridge-use patterns as well as vehicle and pedestrian movements, including distance and time savings.

10. **Improvements of markets.** Before the project, rural markets usually included some open-sided stalls with roofs plus a larger area of bare-earth, open-air stalls. Access and parking were generally congested, and sanitation was poor. Improvements under the project included elements of sanitation, stall construction, paving, and parking improvements. Benefits assumed at appraisal included (i) a 9% decrease in the amount of produce spoilage during marketing, resulting in increased farmer sales; and (ii) a 5% increase in market business (beyond the increase due to decreased spoilage) due to better facilities for consumers and traders, half of which was assumed to be generated income included as an economic benefit. Discussions during the project completion report mission indicated that the produce spoilage decrease likely exceeds the appraisal assumption, but an accurate measure is unavailable. Therefore, the reappraisal analysis was undertaken with the conservative appraisal spoilage assumption and used actual market sales increases recorded and shown in Table A4.2.

11. **Indicative economic activities.** The project provided enterprise development services and access to credit for the upgrading and commercialization of existing agriculture-based enterprises, and the establishment of new enterprises. At project appraisal, it was assumed that the calculated generated net economic value of indicative enterprises represented the expected benefit to the local economy. Indicative enterprise activities analyzed included broiler production, fruit production and processing, ornamental fish production, fishpond culture, rice milling, shoe production, a poultry hatchery, and floriculture. Records of subloans provided under the project maintained by the National Development Bank only recorded the industry sector, number of subloans, and employment generated. Therefore, it was not possible for the project completion report mission to undertake a reappraisal of the project impact to determine overall financial and economic returns. However, there was no reason to conclude that the indicative enterprises financial and economic returns calculated during appraisal were not achieved, however. The PMO impact assessment consultancy related to the credit component also did not provide any quantitative estimate of the financial and economic returns.

3. Costs

12. Costs incorporated into the reappraisal were based on actual project costs in Sri Lanka rupees rather than the sample project components used in the appraisal evaluation. Figures were prepared by the PMO by annual cost allocation and were consistent with the project cost schedules. Project implementation costs were allocated between the various civil works subcomponents based on proportion of total project cost associated with the respective subcomponents.

4. Economic Returns

13. The rural road civil works subcomponent recorded an economic internal rate of return (EIRR) of 21%, slightly below the 23% estimated during appraisal, and an economic net present value (ENPV) of SLRs342 million compared with SLRs470 million during appraisal. Table A14.1 shows the annual distribution of costs and benefits. These results are due to the various project delays and the high costs and lower distances associated with the change from rural gravel road maintenance to surfaced road provision. The reappraisal sensitivity analyses indicated that without the time cost savings, the subcomponent had an EIRR of 12.6% and an ENPV of SLRs22 million, and the switching value (base case rate of 12%) occurred with a 18.5%

reduction in total benefits assumed. This result suggests that maintenance could be a problem, and if the *pradeshhiya sabhas* do not fulfill their responsibility for adequate maintenance, the economic returns to roads could dip to unacceptable levels.

14. The pedestrian bridge civil works subcomponent recorded an EIRR of 24% and an ENPV of SLRs204 million. Table A14.2 shows the annual distribution of costs and benefits. The reappraisal sensitivity analyses indicated that without the time cost savings, the subcomponent had an EIRR of 4% and an ENPV of –SLRs109 million, and the switching value occurred with a 40% reduction in total benefits assumed.

15. The market improvement civil works subcomponent EIRR was 85%, compared to the 26% estimated during appraisal. The ENPV was SLRs3,888 million compared with SLRs470 million at appraisal. This was due to a significant underestimation of the expected growth in market sales resulting from the new market locations (5%) compared to the survey recorded increase of 75%. Table A13.3 shows the annual distribution of costs and benefits. Sensitivity analyses indicated the robustness of these figures.

16. Rates of return for the 10 indicative enterprises identified at appraisal are summarized in Table A14.4. All can be considered economically viable, indicating their economic benefits to the local economy.

D. Financial Analysis

17. *Pradeshhiya sabhas* have responsibility for the provision of several local services, the largest of which, in monetary terms, is the maintenance of rural roads. Resources are generally inadequate for the budgetary demands. *Pradeshhiya sabhas* receive 60%–70% of their revenue in the way of grants from provincial and central government authorities. They also raise some funds on their own via various licensing fees and rents. Of these sources, market revenues are particularly important. One of the goals of the market improvement civil works subcomponent was to increase the *pradeshhiya sabhas'* income from this source. A with- and without-project analysis of *pradeshhiya sabha* revenues is summarized in Table A14.5.

18. The largest market surveyed increased its annual revenue by SLRs2.5 million compared with the large market example considered at appraisal, which expected an increase of SLRs1.3 million annually. The smaller markets surveyed recorded increases in their annual revenue of SLRs0.9 million–SLRs1.5 million, compared with SLRs0.3 million anticipated at appraisal. Reappraisal of the subcomponent recorded a financial internal rate of return (FIRR) of 10% and a financial net present value of –SLRs8.0 million. *Pradeshhiya sabha* revenue increased from 0.5% of total market turnover to 0.6% of total turnover with the project, indicating that they were able to increase collections at a slightly faster rate than total market sales. However, in view of the low FIRR, there is room to increase the collection rate to 1.0% or 1.5%, which would yield an FIRR of 12%–23%.

19. Financial analyses were undertaken at appraisal for 10 agricultural-based indicative enterprises. Typical investment costs included equipment, implements and materials, land preparation, planning, and labor. Depending upon the enterprise, unskilled labor was usually used plus a limited amount of skilled labor. The FIRRs are summarized in Table A14.4. These rates range between 30% for leather footwear production to 66% for pineapple production. These results are expected to apply if a reappraisal is undertaken with updated data and demonstrates the profitability of enterprises that used the project subloans.

Table A14.1: Economic Cash Flow for the Rural Roads Civil Works Component
(SLRs millions in Year 2009 Prices)

Year	Project Costs			Project Benefits					Sensitivity Tests		
	Without Project	With Project	Net	Project Administration Costs Share	VOC Savings	Value Time Savings	Spoilage Savings	Total	Net Benefits	Net Benefits Excluding Time Savings	18.5% Reduction Total Benefits
2002	6.21		6.21	9.24					(15.45)	(15.45)	(15.45)
2003	6.21	30.78	24.57	66.69					(91.26)	(91.26)	(91.26)
2004	6.21	28.71	22.50	21.53					(44.03)	(44.03)	(44.03)
2005	6.21	164.45	158.24	21.53					(179.77)	(179.77)	(179.77)
2006	198.10	118.94	(79.16)	45.09					(34.07)	34.07	34.07
2007	6.21	301.58	295.37	49.14	105.50	66.92	210.82	383.23	38.72	(28.20)	(32.18)
2008	6.21	384.34	378.13	49.09	105.50	66.92	210.82	383.23	(43.99)	(110.91)	(114.89)
2009	6.21	958.82	952.62	28.00	105.50	66.92	210.82	383.23	(597.38)	(664.30)	(668.28)
2010	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2011	198.10	198.76	0.67		131.40	83.35	262.57	477.31	476.65	393.30	388.35
2012	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2013	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2014	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2015	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2016	198.10	198.76	0.67		131.40	83.35	262.57	477.31	476.65	393.30	388.35
2017	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2018	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2019	6.21	993.81	987.60		131.40	83.35	262.57	477.31	(510.29)	(593.63)	(598.59)
2020	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2021	198.10	198.76	0.67		131.40	83.35	262.57	477.31	476.65	393.30	388.35
2022	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2023	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
2024	6.21	198.76	192.55		131.40	83.35	262.57	477.31	284.76	201.42	196.46
Economic net Present value at 12%									342.30	21.84	2.78
Economic internal rate of return (%)									20.8	12.6	12.1

Note: ()=negative, VOC =vehicle operating cost
Source: Mission estimates.

Table A14.2: Economic Cash Flow for the Flood Rehabilitation Pedestrian Bridges Civil Works Component
(SLRs millions in Year 2009 Prices)

Year	Project Costs			Project Benefits			Sensitivity Tests			
	Without Project	With Project	Net	Administration Costs Share	VOC Savings	Value Time Savings	Total	Net Benefits	Net Benefits Excluding Time Savings	40% Reduction Total Benefits
2002		0.00	0.00	0.41				(0.41)	(0.41)	(0.41)
2003		0.00	0.00	2.93				(2.93)	(2.93)	(2.93)
2004		0.00	0.00	0.95				(0.95)	(0.95)	(0.95)
2005		0.00	0.00	0.95				(0.95)	(0.95)	(0.95)
2006		20.65	20.65	1.98				(22.64)	(22.64)	(22.64)
2007		147.91	147.91	2.16				(150.07)	(150.07)	(150.07)
2008		171.09	171.09	2.16	17.87	25.51		(173.25)	(198.76)	(173.25)
2009		166.14	166.14	1.23	35.73	51.01	86.74	(80.62)	(131.64)	(114.89)
2010		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2011		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2012		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2013		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2014		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2015		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2016		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2017		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2018		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2019		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2020		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2021		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2022		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2023		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
2024		25.29	25.29		71.46	102.03	173.49	148.20	46.17	79.67
Economic net present value at 12%								203.88	(108.91)	1.53
Economic internal rate of return (%)								24.2	3.6	12.1

Note: ()=negative, VOC=Vehicle operating cost.

Source: Mission estimates

Table A14.3: Economic Cash Flow for the Rural Markets Civil Works Component
(SLRs millions in Year 2009 Prices)

Year	Project Capital Costs			Project Benefits				Sensitivity Tests		
	Without Project	With Project	Net	Administration Costs Share	Spoilage Savings	Non Spoilage Increment	Total	Net Benefits	Net Benefits Excluding Increased Sales	35% Reduction Spoilage Savings Only
2002	2.35		2.35	1.57				(3.92)	(3.92)	(3.92)
2003	2.35	0.02	2.36	11.36				(13.72)	(13.72)	(13.72)
2004	2.35	0.16	2.51	3.67				(6.17)	(6.17)	(6.17)
2005	2.35	44.35	46.70	3.67				(50.36)	(50.36)	(50.36)
2006	2.35	38.26	40.61	7.68				(48.29)	(48.29)	(48.29)
2007	2.35	39.74	42.08	8.37				(50.45)	(50.45)	(50.45)
2008	2.35	107.75	105.41	8.36				(113.77)	(113.77)	(113.77)
2009	2.35	102.84	100.50	4.77	62.10	636.50	698.61	593.34	(43.16)	(64.90)
2010	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2011	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2012	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2013	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2014	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2015	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2016	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2017	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2018	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2019	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2020	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2021	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2022	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2023	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
2024	2.35	16.66	14.31		124.21	1,273.01	1,397.21	1,382.90	109.90	66.42
Net present value at 12%								3,888.46	129.61	1.25
Economic internal rate of return (%)								84.5%	20.1%	12.1%

Note : ()=negative.

Source: Mission estimates.

Table A14.4: Indicative Enterprises

Enterprise	Financial Returns		Economic Returns	
	FIRR (%)	FPNV (SLRS '000)	EIRR (%)	ENPV (SLRS '000)
Poultry	50	1,374	51	1,325
Pineapples	66	149	80	170
Mangoes	39	446	40	413
Ornamental fish	54	206	61	221
Fishpond Tilapia culture	43	30	24	16
Rice mill	56	5,711	64	6,718
Coconut and medicinal plants	61	79	75	95
Leather shoe production	30	9,400	53	15,817
Poultry hatchery	48	76,736	41	57,804
Export floriculture	35	41,722	47	56,148

EIRR = economic internal rate of return, ENPV = economic net present value, FIRR = financial internal rate of return, FNPV = financial net present value.

Source: Appraisal estimates.

Table A14.5: Financial Cash Flow for the Rural Markets Civil Works Component
(SLRs millions in Year 2009 Prices)

Year	Project Capital Costs			Project PS Revenue			Sensitivity Tests				
	Without Project	With Project	Net	Administration Costs Share	Without Project Income	With Project Income	Total	Net Cash Flow	PS Income 1% Market Sales	PS Income 1.5% Market Sales	
2002	2.61	0.00	2.61	1.75	20.46		20.46	16.10	16.10	16.10	
2003	2.61	0.02	2.63	12.62	20.46		20.46	5.21	5.21	5.21	
2004	2.61	0.22	2.82	4.07	20.46		20.46	13.56	13.56	13.56	
2005	2.61	59.02	61.62	9.50	20.46		20.46	(50.67)	(50.67)	(50.67)	
2006	2.61	50.92	53.52	8.53	20.46		20.46	(41.60)	(41.60)	(41.60)	
2007	2.61	52.88	55.48	9.30	20.46		20.46	(44.33)	(44.33)	(44.33)	
2008	2.61	143.38	140.78	9.29	20.46		20.46	(129.61)	(129.61)	(129.61)	
2009	2.61	136.85	134.24	5.30	10.23	22.02	32.25	(107.29)	(92.61)	(74.26)	
2010	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2011	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2012	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2013	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2014	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2015	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2016	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2017	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2018	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2019	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2020	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2021	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2022	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2023	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
2024	2.61	22.16	19.56			44.05	44.05	24.49	53.85	90.55	
Net present value at 12%								(7.55)	370.20	842.39	
Economic internal rate of return (%)								10.0	12.2	23.4	

Note : () = Negative, PS=Pradheshiya Sabha
Source: Mission estimates.

QUANTITATIVE ASSESSMENT OF OVERALL PROJECT PERFORMANCE

Table A15.1: Overall Rating

Criteria	Assessment	Rating (0–3)	Weights (%)	Weighted Rating
Relevance	<i>Highly relevant</i>	3	20	0.60
Effectiveness	<i>Effective</i>	2	30	0.60
Efficiency	<i>Efficient</i>	2	30	0.60
Sustainability	<i>Less likely</i>	1	20	0.20
Overall Rating	<i>Successful</i>			2.00

Notes:

Relevance. Project objectives and outputs were highly relevant to strategic objectives of the government and the Asian Development Bank on poverty reduction.

Effectiveness. Although the credit component achieved less than the target due to reallocation of funds, the project achieved its revised targets and objectives with additional outputs.

Efficiency. Even though the project had initial delays, project achieved objectives in an efficient manner by implementing additional works.

Sustainability. Project benefits and development impacts are sustainable, but maintenance of project assets needs more attention.

Source(s): Project completion review mission.

Table A15.2: Rating System

Rating Value	Relevance	Effectiveness	Efficiency	Sustainability
3	Highly relevant	Highly effective	Highly efficient	Most likely
2	Relevant	Effective	Efficient	Likely
1	Partly relevant	Partly effective	Partly efficient	Less likely
0	Irrelevant	Ineffective	Inefficient	Unlikely

Notes: Greater than 2.5 = highly successful, 1.6–2.5 = successful, 0.6–1.6 = partly successful, and less than 0.6 = unsuccessful.

Source(s): Project completion review mission.