

ADB

Development
Effectiveness
Brief

Sri Lanka▶

A Partnership for Prosperity

Asian Development Bank



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Note: In this report, "\$" refers to US dollars.

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Sri Lanka

Development Indicators

	2002	2010
Non-Millennium Development Goals		
Population (million)	19.0	20.7
Annual population growth rate (%)	1.2	1.0
Overall adult literacy rate (%)	91.0	91.4*
Male	92.0	92.8*
Female	89.0	90.0*
Population in urban areas (%)	15.0	15.0*

Millennium Development Goals

Population living on less than \$1.25 a day (%)	14.0	7.0**
Population living below the national poverty line (%)	22.7	8.9
Under-5 mortality rate per 1,000 live births	19.2	15.0*
Population using an improved drinking water source (%)	80.0	87.3
Net enrollment in primary education (%)	96.3	97.5*

* 2009

** 2007

Sources: Central Bank of Sri Lanka. 2010. *Central Bank Annual Report 2010*. Colombo; Institute of Policy Studies. 2010. *Millennium Development Goals Sri Lanka Country Report 2008/2009*. Colombo; World Bank. World Development Indicators Online. Available online at <http://data.worldbank.org/data-catalog/world-development-indicators>. Accessed in September 2011.

Sri Lanka and ADB: Alleviating Poverty

Sri Lanka gained independence in 1948 and became one of the first developing countries to invest in human resources and promote gender equality. Social indicators are among the best in South Asia and the nation has attained high literacy rates and achieved good health outcomes. On track to meet most Millennium Development Goals, Sri Lanka has already reached near universal literacy with girls on par with boys. Poverty persists, especially in rural areas, but compared to the rest of South Asia, poverty levels are relatively low, dropping from 15.5% in 1995 to 8.9% in 2010.

Despite the severe economic burden and development setbacks from a protracted 26-year conflict that ended in May 2009, and devastation from the 2004 tsunami, Sri Lanka achieved an average growth rate of 5% over the last 3 decades. With the end of the war and restoration of political and economic stability, Sri Lanka faces good prospects for rapid economic growth and development. The economy grew by 8% in 2010 and is expected to continue this trend in the medium term. The International Monetary Fund classified Sri Lanka as a middle-income country in 2010. In July 2011, Moody's upgraded the sovereign rating from "Stable" to "Positive." Favorable conditions prompted an update in 2010 of

the government's 10-year Development Policy Framework (DPF) 2007–2016.

Sri Lanka was a founding member of the Asian Development Bank (ADB) in 1966 and, for more than 4 decades, the partnership between Sri Lanka and ADB has produced a broad spectrum of projects that have bettered the lives of millions. ADB has helped the government to implement its long-term development plan by providing financing and technical expertise.

Since the first loan approval of \$2 million in July 1968 to modernize tea factories, Sri Lanka has received \$5.14 billion for 155 sovereign and nonsovereign loans, \$110.70 million for 245 technical assistance projects and \$351 million in grants. ADB's portfolio grew from 24 loans in 2000 to 40 ongoing sovereign

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Loan Approvals in Sri Lanka (\$ million)

	1968–2005	2005	2007	2008	2009	2010	July 2011
OCR	596	14	328	90	215	350	114
ADF	3,107	47	115	60	115	107	23
Total	3,703	60	443	150	330	457	138

Loan Disbursements in Sri Lanka (\$ million)

OCR	235	44	15	106	109	199	69
ADF	2,339	136	133	153	144	109	50
Total	2,574	180	148	259	253	308	119

ADF = Asian Development Fund (concessional loans), OCR = ordinary capital resources (regular loans).

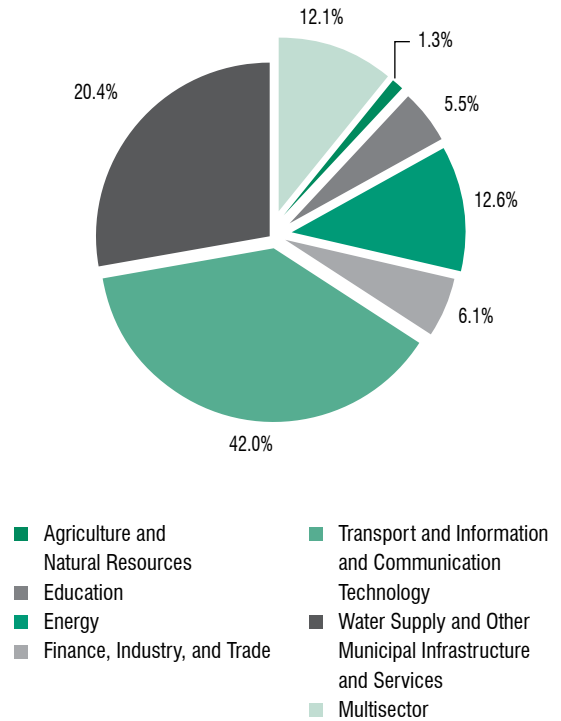
Source: ADB.

loans totaling \$2.2 billion in June 2011. Of the total net loan amount, 45% has been disbursed.

ADB's assistance in the 1990s supported the government's poverty reduction efforts by facilitating structural transformation of the economy. Since 2001, ADB's operations shifted toward reconstruction efforts in the war-affected areas. The Country Program Strategy (CPS) 2009–2011 addressed post-conflict needs and focused on two pillars of the government's 10-year DPF—strengthening the investment climate and achieving socially inclusive development. Soon after the conflict ended in 2009, ADB assisted the government's reconstruction needs in the Northern Province to restore basic infrastructure such as hospitals, schools, administrative buildings, and agriculture and livestock facilities.

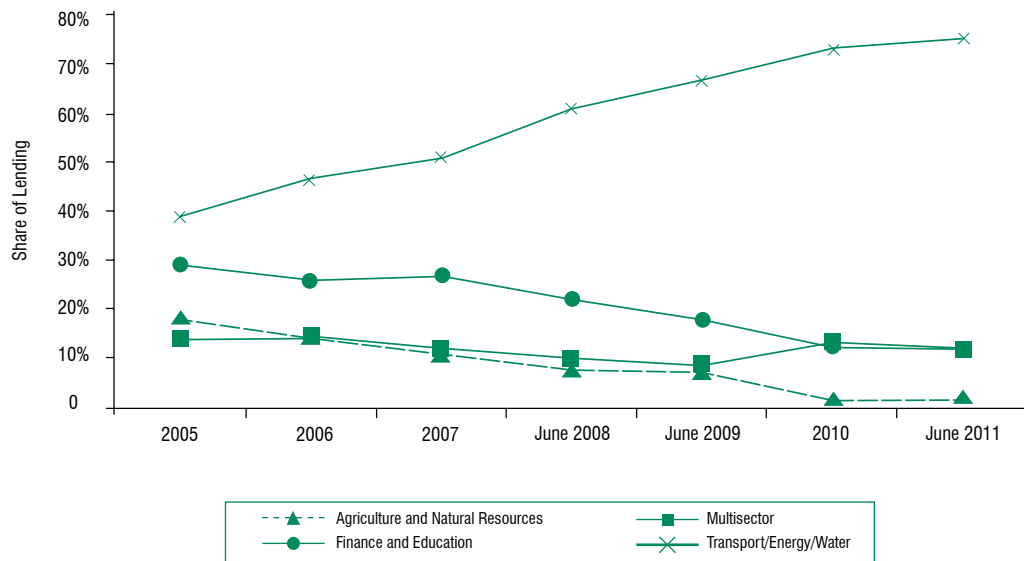
ADB's assistance to Sri Lanka has gradually shifted from mainly agricultural to infrastructure and post-conflict rehabilitation, with further support to the finance sector and education. ADB's interventions have consistently promoted gender equity and environmental sustainability.

Sector Distribution of Active Loans Portfolio in Sri Lanka
(%, 30 June 2011)



Source: ADB.

Trends in Sector Distribution of the Ongoing Portfolio



Source: ADB Management Information Systems.

ADB's Contribution to Development and Poverty Reduction

ADB has assisted the government's development and poverty reduction programs in various sectors, and results are most clearly highlighted by the number of people whose lives have improved.

Between 2004 and 2010, ADB-assisted education projects contributed to the building or upgrade of about 15,000 classrooms; improved facilities; and training of about 75,000 teachers to provide 1.8 million students with a better education. In

transport, ADB projects built or upgraded about 7,500 kilometers (km) of roads and brought broader access and greater mobility to more than 14 million people. ADB assistance to the water supply and sanitation sector saw more than 310,000 new households connected to clean water while 80,000 households received sanitation. In the energy sector, ADB-assisted projects installed or upgraded about 4,000 km of transmission lines and brought electricity to more than 200,000 households.

Development Outputs from ADB-Supported Projects in Sri Lanka

Sector	Outputs Achieved 2004–2010
Education	
Classrooms built or upgraded (number)	14,986
Associated facilities built or upgraded (number)	141
Learning institutions built or upgraded (number)	1,056
Teachers trained (number)	76,779
Students benefiting (number)	1,874,662
Energy	
Transmission lines installed or upgraded (km)	3,932
Distribution lines installed or upgraded (km)	9,698
New households connected to electricity (number)	202,467
Greenhouse gas emission reduction (tCO ₂ -equiv/yr)	121,063
Finance	
Microfinance accounts opened/end borrowers reached (number)	9,202
Microfinance loans provided (amount in \$ million)	5
SME loan accounts opened/end borrowers reached (number)	10,646
SME loans provided (amount in \$ million)	152
Transport	
Expressways built or upgraded (km)	30
National highways, provincial, district, and rural roads built or upgraded (km)	7,542
Beneficiaries from road projects (number)	14,456,000
Water	
Water supply pipes installed or upgraded/length of network (km)	468
New households served with water supply (number)	311,359
Households served with new sanitation (number)	83,366
Land improved through irrigation services, drainage, and flood management (hectares)	14,982

km = kilometer, SME = small and medium-sized enterprise, tCO₂-equivalent/year = tons of carbon dioxide equivalent per year.

Source: ADB staff estimates.

Transport

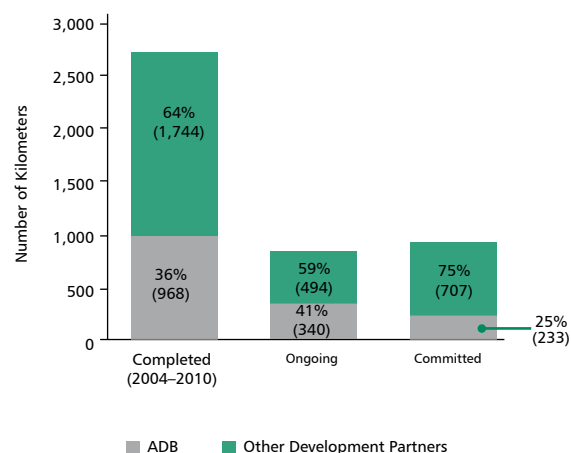
ADB's transport sector interventions supported the government's goal of socially inclusive development by reducing transport costs, improving connectivity, increasing port capacity, and promoting private sector participation. ADB supported improvements to critical national and provincial roads, especially in remote regions. Assistance also included the improvement of transport policy and regulatory and institutional frameworks. In the port subsector, ADB helped the government gain international competitiveness by increasing capacity and enhancing operational efficiency through a public-private partnership (PPP) approach. ADB coordinated closely with other development partners, such as World Bank and the Japan International Cooperation Agency, to increase synergy and avoid potential duplication.

Roads

Sri Lanka's road network of about 112,997 km has a higher road density than many developing countries. However, road conditions and standards were not adequate to meet rapidly growing freight and passenger traffic. With about 90% of passengers and 98% of freight transported by road, the government has prioritized the improvement of the entire road network by 2020.

Between 1980 and 2009, ADB assistance to the road sector totaled \$982 million and improved 1,650 km of national roads and 2,001 km of provincial roads. ADB contributed to 35% of total national roads rehabilitated between 2004–2010, which represents about 968 km of the national highway network

Status of National Highways Development Program



Source: ADB.

Between 1980 and 2009, ADB assistance to the road sector totaled \$982 million and improved 1,650 km of national roads and 2,001 km of provincial roads. ADB contributed to 35% of total national roads rehabilitated between 2004–2010, which represents about 968 km of the national highway network.

ADB's assistance strengthened the Road Development Authority, which was responsible for preparing the comprehensive road sector master plan in 2007 to guide future development of the road sector. A Road Maintenance Trust Fund was also established in 2007 to increase the maintenance coverage of national highways from 60% in 2011 to 100% by 2017. The 2007 Country Assistance Program Evaluation (CAPE)¹ covering the period 1986 to 2006 rated ADB's assistance *substantial*.

► Bridging the Transport Gap

Hemapala Nanayakkara, age 75, says the boat trip from his village of Maduwana across the river to Baddegama in the southern Galle District was dangerous, especially for children attending schools across the river. During monsoon floods, the village was marooned with no way to reach

¹ ADB. 2007. *Country Assistance Program Evaluation for Sri Lanka*. Manila.



An ADB-funded suspension bridge has vastly improved their lives, says K. J. Priyanthi (left) and Hemapala Nanayakkara



These children no longer risk a dangerous boat ride across a flooded river, thanks to a suspension bridge built under the ADB project

medical help when emergencies struck. That was before ADB's Southern Province Rural Economic Advancement Project² constructed a steel suspension bridge across the river in 2004 which dramatically improved the lives of 680 villagers. "Now it is just 15 minutes to reach a medical clinic. The bridge has saved many lives," he says. The project included repairing and upgrading 126 km of paved roads and 102 km of gravel roads, 605 km of flood-damaged gravel roads, 19 new pedestrian bridges, and 23 rural markets. The 2009 Project Completion Report rated the project *successful*.

► Into the Fast Lane

The \$448.6 million Southern Transport Development Project³ is a flagship ADB project to build the first expressway in Sri Lanka connecting Colombo to Matara in the Southern Province. The ADB-funded 30 km section of a 128 km long route was completed in September 2011 and the Southern Transport Expressway from Kottawa to Galle was officially opened on 27 November 2011.

² Loan 1849 \$25 million ADF, closed 2009.

³ Loan 1711 \$90 million ADF, closed 2010; Loan 2413 \$90 million OCR, approved 2008.



Engineer Inderjeet Singh Gill inspects the ADB section of the Southern Transport Development Project

Other sections are being completed with funding from the Japan International Cooperation Agency (JICA) and the People's Republic of China. "The ADB-funded section has used local capacity by mainly hiring local contractors," says Engineer and Team Leader Inderjeet Singh Gill. The 4–5-hour journey between Matara and Colombo through the tourist center of Galle will be cut to 2 hours, boosting tourism, industrial development, and agricultural incomes in the south.



The Colombo Port Expansion Project employs more than 10,000 workers

► Colombo Port Expansion

In the ports subsector, the ADB-assisted Colombo Port Expansion Project⁴ was implemented as a PPP arrangement with construction beginning in 2008. The project dredged an approach channel and built a breakwater to accommodate three new terminals, to be constructed by private companies under a build–operate–transfer concession agreement.

The port is currently handling about 4 million containers and, when all three terminals are fully operational in 2012, capacity will rise to 12 million. Through lower transport costs and faster delivery times, the project will promote Sri Lanka's overall economic growth by improving its international competitiveness.



Workers construct the breakwater for the Colombo Port Expansion Project

⁴ Loan 2319 \$300 million OCR, approved 2007.

Project Director Susantha Abeysiriwardana explains that the port is an important transshipment hub for South Asia and Africa, with feeder ships carrying the biggest share of cargo to India. Transshipments grew by more than 20% in 2010. "At a total cost of \$2 billion, this is the Port Authority's largest project and the biggest in Sri Lankan history. The economic impact for Sri Lanka is enormous."

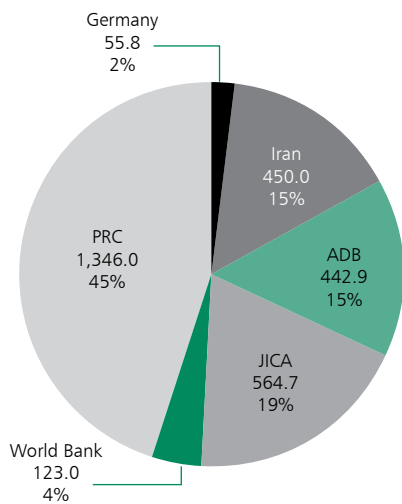
ADB's assistance helped increase the country's electrification ratio from 67% in 2003 to 88% in 2010

ADB's assistance helped increase the country's electrification ratio from 67% in 2003 to 88% in 2010. ADB's rural electrification interventions facilitated electricity connections to the poorest households through loan and grant schemes. In recent years, ADB assistance to the Ceylon Electricity Board and Lanka Electricity Company has helped build or improve grid substations and transmission lines. System losses have been gradually reduced from 16.7% in 2007 to 14.6% in 2009, with a target of 12% by 2016. The government expects to reduce capacity constraints and fluctuations in electricity supply. The Clean Energy and Access Improvement Project (Loan 2519 \$25 million Asian Development Fund, approved 2009; Loan 2518 \$135 million ordinary capital resources, approved 2009), will connect 200 megawatts of hydropower to the national grid and fulfill an urgent need to develop clean

Energy

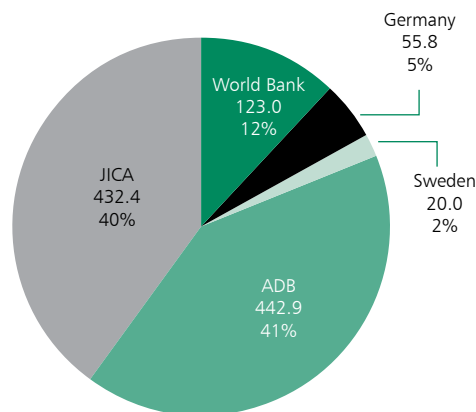
A key challenge in meeting the government's goal of sustained industrial growth is the ability of the power sector to keep up with Sri Lanka's escalating demand. To enhance the efficiency and reliability of power supply, ADB's key energy sector interventions included transmission system strengthening, distribution system improvement and expansion of rural electrification, capacity building to strengthen sector regulation and sector reforms, development of renewable energy, and implementing energy efficiency initiatives.

Development Partner Financing, 2002–2011
(\$ million)



JICA = Japan International Cooperation Agency,
PRC = People's Republic of China.

Development Partner Financing for Transmission and Distribution, 2002–2011
(\$ million)



JICA = Japan International Cooperation Agency.

energy and renewable energy sources. The project also undertakes loss reduction efforts and addresses energy efficiency issues. During 2004–2010, 202,467 households were provided with electricity through ADB projects and 3,932 km of transmission lines were installed or upgraded.

ADB's contribution to the energy sector between 2002 and 2011 amounted to \$442.9 million, approximately 15% of total development assistance to the sector with overall contribution of 41% to power transmission and distribution.

► Powering Lives

When 46-year-old Vaithyalingam Vijayapalan and his family returned to his village near Mankulam in the Northern Province in June 2010, a year after the end of Sri Lanka's civil conflict, all that remained of his house and milling business were concrete foundations. "We would have just left, but when we learned that electricity had been restored, we decided to stay and rebuild." Today, his two children attend school and, together with his wife, he runs a thriving milling operation grinding grain and spices grown by about 1,000 local farmers. Vijayapalan is one of the first of 700 local people being resettled in the area. Bringing electricity to Mankulam is part of ADB's Conflict-Affected Areas Rehabilitation Project⁵ efforts to resettle internally displaced people.



With rural power supply restored through the ADB-funded Conflict-Affected Area Rehabilitation Project, Vaithyalingam Vijayapalan and his wife have reopened their milling plant in Mankulam



Ketheswaran Kuganeswary (right) and her family no longer fear fire from these kerosene lamps they used before the ADB-funded Conflict-Affected Area Rehabilitation Project brought electricity

The impact of ADB's energy sector assistance program for Sri Lanka was rated *substantial* by the CAPE.

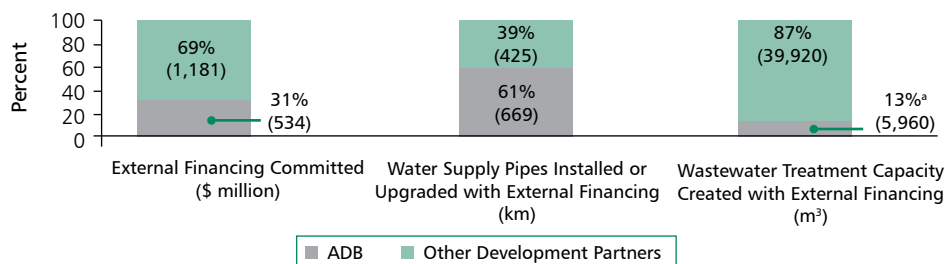
Water and Sanitation

The government's goal is to provide safe drinking water and improved sanitation to 100% of the population by 2020. By 2010, over 87% of the population had access to an improved drinking water source.

Between 1990 and 2010, ADB approved a total of \$528 million in loans and grants for seven projects and \$5.8 million in technical assistance to develop Sri Lanka's water supply and sanitation. This accounted for about 21% of total investments in water supply and sanitation in Sri Lanka and 31% of total funds provided by development partners during the same period. Between 2000 and 2010, ADB-assisted projects installed or upgraded 669 km of water supply pipes benefiting 2.8 million people or about 37% of the population. ADB provided around 6,000 cubic meters of wastewater treatment capacity benefiting over 600,000 people.

⁵ Loan 2043 \$50 million ADF, approved 2003; Loan 2044, \$30 million OCR, approved 2003.

ADB's Contribution to Financing Commitments and Outputs Delivered in the Water Supply and Sanitation Sector in Sri Lanka, 1990–2010



ADB = Asian Development Bank, km = kilometer, m³ = cubic meter.

^a Water supply pipes installed or upgraded and wastewater treatment capacity created by ADB-funded projects as a percentage of water supply pipes installed or upgraded and wastewater treatment capacity created with external financing during 2000–2010. Projects may include financing from the government and other development partners.

Source: ADB project completion reports; Government of Sri Lanka Water Supply and Drainage Board. Annual Reports 2007–2009; and Strategy and Policy Department.

ADB also engaged with the government in policy dialogue to rationalize water tariffs, devolve service delivery to local authorities, strengthen institutional capacity, and improve private sector participation.

► Clean Water

H.M. Sainambu stands in line with her family at the Kattankudy National Water Supply and Drainage Board office near Batticaloa, holding her application for a new household piped water connection. “Our water was contaminated by sewage and then the tsunami came,” she says. Officer-in-Charge of Kattankudy Water Supply Scheme Mohammad Rafi says, “There is a big demand for piped water. In 2 months, we have received over 2,120 applications for household connections.”



H.M. Sainambu applies for a household water connection under the ADB-funded Secondary Towns and Rural Community Based Water Supply and Sanitation Project in Batticaloa

saw nongovernment and community-based organizations working together with gender-balanced leadership to operate and maintain the rural water supply schemes.

The new piped water system at Kattankudy is part of ADB's Secondary Towns and Rural Community-Based Water Supply and Sanitation Project.⁶ The project provides safe drinking water to almost 1 million people and sanitation to 171,500. An 18 km pipeline connects the system to a town water treatment plant. Water pressure is maintained by eight water towers providing a daily capacity of 40,000 cubic meters. More than 100 wells and 70 rainwater tanks were also built in outlying dry areas. This innovative project

The new piped water system at Kattankudy is part of ADB's Secondary Towns and Rural Community-Based Water Supply and Sanitation Project. The project provides safe drinking water to almost 1 million people and sanitation to 171,500

⁶ Loan 1993 \$60.30 million ADF, approved 2003; Loan 2275 \$13.5 million OCR, approved 2006; Loan 2276 \$46.5 million ADF, approved 2006.



One of eight water towers of the Batticaloa Water Supply and Drainage Board's project to bring clean water to almost 200,000 people through funding by ADB

In 2010, ADB approved the Jaffna and Kilinochchi Water Supply and Sanitation Project⁷ to provide piped water to 300,000 people and a new sewerage system for another 80,000 within Jaffna.

The CAPE for Sri Lanka rated ADB's assistance to the sector *successful, highly relevant*, and its impact *substantial*.

The decision to introduce free education, scholarships for disadvantaged students, midday meals, free textbooks, uniforms, and subsidized transport has enabled Sri Lanka to achieve an adult literacy rate of 91% and net enrolment rate in primary education of 97.5% by 2009

Education

Successive governments have regarded education as crucial for promoting equity and social mobility, enhancing human development, and contributing to economic growth. The decision to introduce free education, scholarships for disadvantaged students, midday meals, free textbooks, uniforms, and subsidized transport has enabled Sri Lanka to achieve an adult literacy rate of 91% and net enrolment rate in primary education of 97.5% by 2009. The retention rate at the end of primary education was 97.8% for boys and 98.7% for girls in 2006. Despite Sri Lanka's gains in literacy, several gaps remain—poor responsiveness of the education system to labor market requirements, disparities in access to quality education, and lack of linkage between secondary and tertiary education and also between general and technical education and vocational training.



School children, like these near Kilinochchi, are benefiting from ADB education projects

⁷ Loan 2711 \$70 million ADF; Loan 2710 \$20 million OCR, approved 2010.

ADB-funded education projects helped modernize secondary education by increasing equity of access; enhancing quality and relevance; and improving policy, governance, infrastructure, and service delivery. ADB projects in technical education and vocational training and tertiary education introduced innovative programs and facilitated reforms to address the mismatch between what was covered under the education system and labor market requirements.

The Secondary Education Modernization Project (SEMP)⁸ and the follow-up SEMP II⁹ improved 1,200 secondary schools; strengthened provincial education offices; supported a stipend program for up to 50,000 disadvantaged students; streamlined the national examination system; modernized the curriculum; provided 17,000 teachers with scholarship programs; and built capacity within the Ministry of Education. The Technical Education Development Project (Loan 2197 \$20 million ADF, approved 2005) improved the quality of technical education and vocational training programs through institutional support, including the establishment of a University of Vocational Technology for new technical degree programs. It also upgraded technical colleges into Colleges of Technology and supported new diploma programs for technicians.

The 2007 Education Sector Assistance Evaluation for Sri Lanka rated the overall sector performance *highly relevant* and *successful*.

Agriculture and Food Security

The government's 10-year plan states that ensuring food security is a core national development objective. The Agriculture and Natural Resources Sector Assistance Evaluation

for Sri Lanka, completed in 2007, reported that, overall, ADB's sector strategies for agriculture and natural resources were *relevant* and *responsive* to the challenges facing the sector.

The Aquatic Resource Development and Quality Improvement Project¹⁰ was implemented in nine districts spread over six provinces. Aquaculture and fish processing enterprises were set up with the goal of developing and demonstrating models that could be easily replicated by community-based organizations and by private entrepreneurs. About 10,000 hectares of minor reservoirs and 3,000 hectares of seasonal tanks were developed and 25 mini hatcheries established. Community-based fisheries management was introduced at 50 major tanks.

The agriculture and natural resources sector assistance programs were rated *satisfactory*.

► Better Fish—Bigger Incomes

As dawn breaks at an artificial reservoir in Ampara district in Eastern Sri Lanka, fishers paddle their canoes and cast their nets. Before the Aquatic Resource Development and Quality Improvement Project, their catch was small and of poor quality. The project introduced 700,000 fingerlings into the reservoir.



Since the start of the ADB-funded Aquatic Resource Development and Quality Improvement Project, fisherfolk at Ampara Tank have tripled their incomes

⁸ Loan 1756 \$70.2 million, closed 2000; \$54.7 million ADF; \$6.5 million Nordic Development Fund; \$9.0 million government, approved 2000, closed 2007.

⁹ Loan 2096 \$35 million ADF, \$10.3 million government, \$1.7 million beneficiaries, approved 2004.

¹⁰ Loan 1910 \$6.20 million OCR, closed 2010; Loan 1911 \$13.80 million ADF, closed 2010; balance of \$10 million project cost from private sector, government, community-based organizations, and National Development Trust Fund.



Prasad Kumara brings his catch ashore at Ampara Tank

Today's total catch of 150 kilograms is sold lakeside to 20 traders who sell the fish door to door, or at the Ampara market. Fisher Prasad Kumara says, "There is big demand for the quality fish we catch now, not like the old days."

The project also strengthened fisheries societies and has tripled fisherfolk's incomes, says Ajith Pushpakumara, Chairman of Ampara Eksath Aquatic Resource Society.

The project promotes market-driven and sustainable management of inland fisheries and aquaculture, and is helping achieve the government's target of increasing freshwater fish production to 130,000 tons by 2020. Between 2002 and 2010, freshwater fish production increased from 30,000 to 54,000 tons. The Peliyagoda Central Fish Market near Colombo was also built with funds from the project.

Post-Conflict and Emergency Assistance

In 2001, the government requested ADB to increase support for the Northern and Eastern Provinces, which were worst hit by the conflict.

ADB responded in October 2001 with the approval of the \$40 million North East Community Restoration and Development Project (NECORD).¹¹ The multisector project covered all eight districts and included repairing infrastructure such as roads and bridges, schools, and health centers. More than 1,000 smaller-scale community subprojects reestablished livelihoods and provided shelter, water supply, and sanitation. The project has helped over half a million people rebuild their lives.

This pioneering assistance proactively established ADB's early involvement in the North and East conflict zones, and enhanced understanding of the conflict situation.

With the end of the conflict in May 2009, the government faced the challenge of resettling an estimated 280,000 internally displaced people. In close consultation with the government and other development partners, ADB approved several projects under the umbrella of NECORD II.¹² As of 2010, the ongoing NECORD II Project reestablished civil administration and infrastructure, including repairing 946 classrooms, 5 district hospitals,

More than 1,000 smaller-scale community subprojects reestablished livelihoods and provided shelter, water supply, and sanitation

¹¹ Loan 1846 \$25.3 million ADF, closed 2009; Organization of the Petroleum Exporting Countries (OPEC) Fund \$3.7 million; Germany \$2.5 million; The Netherlands \$0.8 million; beneficiaries \$1.0 million; government \$9.7 million; Industrial Development Corporation costs: ADB \$0.50 million, OPEC Fund \$0.20 million. Total project cost \$44.55 million.

¹² Loan 2168 \$26 million ADF, approved 2005; Loan 2618 \$12.77 million ADF, approved 2010; Grant 0007 \$14.0 million ADF; Grant 0013 \$5.90 million, Sweden technical assistance, approved 2005; Grant 0193 \$7.28 million, Australia, approved 2009.

and 104 km of access roads. On April 2010, ADB approved the Conflict-Affected Region Emergency Project¹³ to assist reconstruction.

One of the main successes of the rehabilitation projects is that people in affected communities helped identify the small-scale infrastructure they needed for economic growth and poverty reduction. Projects had gender action plans and design features to ensure gender-responsive implementation, including targeting war widows and households headed by women for skills training and access to credit for home-based livelihood activities.

► Saving Lives

On rounds at Kilinochchi District Hospital, Dr. R. Sivananthan walks through the corridors of the two-story building, past rows of waiting outpatients, where about 600 patients are treated daily. "At least 200,000 people depend on this district general hospital and that number is growing. Without this hospital, they would have to travel 2.5 hours to Jaffna and that may have been too late for many," he says.

Through ADB and other assistance from development partners, the main building



Refurbished under the ADB-funded NECORD II Project, Kilinochchi District General Hospital provides care for more than 12,000 people a month



Nurses treat a road accident victim at Kilinochchi Hospital

was refurbished in 2004 and staff provided with new equipment. When peace was restored in May 2009, support from the Conflict-Affected Areas Rehabilitation Project (CAARP)¹⁴ contributed to the hospital's further rehabilitation. The hospital now has 18 doctors, 52 nurses, 142 beds, a pediatric and maternity ward, an intensive care unit, 15 medical clinics, and 9 ambulances.

By the end of 2010, ADB's multisector CAARP had also completed road and other infrastructure development, 60 rural electrification schemes, and 283 subprojects that included schools, water supply, health centers, minor roads, renewable energy, and income-generation opportunities.

At least 200,000 people depend on this district general hospital and that number is growing. Without this hospital, they would have to travel 2.5 hours to Jaffna and that may have been too late for many

¹³ Loan 2626 \$150 million OCR, approved 2010.

¹⁴ Loan 2043 \$50 million ADF, approved 2003; Loan 2044, \$30 million OCR, approved 2003.

► Restoring Livelihoods

Another ADB multisector project that helped restore the livelihoods of those affected by conflict and the 2004 tsunami is the North East Coastal Community Development Project (NECCDEP).¹⁵

The project aimed to reduce poverty in vulnerable coastal communities and included rehabilitation of fisheries harbors, health facilities, local access roads, and community infrastructure and livelihoods, with targeted assistance to women, particularly female-headed households and war widows.

In the city of Batticaloa, the project has helped poor women in more than 25,000 female-headed households rebuild their lives. At the Batticaloa Women's Rural Development Society resource center, young women learn

everything from sewing to food processing in a 12-month training course. This has helped women like Beebee Abitha to start their own home-based businesses. The mother of three from Palamunai village received textile and weaving training at the resource center in 2009. With a \$270 loan from a project-supported microfinance scheme, she bought a loom and materials. Two years later, she is busy designing and weaving 25 beautiful saris a month, earning enough to pay back the loan and provide for her family.

Anpuraj Thusyanthini, President of the Batticaloa Women's Rural Development Society, says, "Now that these women have their own income, their lives have improved considerably."

The CAPE for Sri Lanka rated the ADB's strategies for the conflict-affected North and East *satisfactory*.



Young women learn sewing at the ADB-funded North East Coastal Community Development Project's Batticaloa Women's Rural Development Society resource center

¹⁵ Loan 2027 \$20 million ADF, approved 2003; The Netherlands \$1.5 million; government \$5.6 million; beneficiaries \$1.3 million.



Beebee Abitha started her home-based weaving businesses through ADB's North East Coastal Community Development Project



After she lost everything in the 2004 tsunami, mat weaver S. Avapillai, a 55-year-old widow, was able to regain her livelihood through the ADB-funded project

► Tsunami Relief

The 2004 tsunami struck more than two-thirds of Sri Lanka's coastline. Around 35,000 people died; 500,000 were displaced; and almost 100,000 houses were damaged or destroyed. Coastal infrastructure, such as harbors, schools, and hospitals, were also badly affected.

ADB played an important role in the coordination of post-tsunami assistance with the government and other development partners. To address the urgent needs of about 3 million people, ADB approved the Tsunami-Affected Areas Rebuilding Project (TAARP) in 2005.¹⁶ TAARP helped rebuild 330 km of national roads, 4 major bridges, 40 km of provincial roads, and damaged water supply and sanitation systems; restored livelihoods; rehabilitated government buildings and markets; provided microcredit; and improved coastline protection.

¹⁶ Loan 2167 \$7.0 million ADF, closed 2011. Grant G0006 \$150 million Asian Tsunami Fund; \$7.0 million Asian Development Fund Loan Portfolio Reallocation; European Commission \$53.2 million; government \$39.1 million. Grant 0045 TAARP Housing Development Component Netherlands Fund. \$8.73 million, approved 2006. Grant 0011 \$16 million European Commission, approved 2007.



One of two bridges built on Sri Lanka's east coast under the ADB-funded Tsunami-Affected Areas Rehabilitation Project

► Bridges to Recovery

The tsunami wiped out stretch of a National Highway (A04) along the south coast of Batticaloa, forcing paddy farmers, fisherfolk, and tourists to take a difficult 3-hour detour. "Under TAARP, 78 km of highway were repaired, restoring access, and two new bridges were built," says A.L.M. Nizar, an engineer at the Road Development Authority.

J. Aravinthan, a 31-year-old District Agricultural Department instructor whose home is about 12 km from one of the bridges, says, "Now it takes me just 20 minutes to get to work on my motorcycle."



T. Sasiroopan Thambiluvil (left) and J. Aravinthan say long detours are a thing of the past since the coastal stretch of the national highway was repaired with TAARP funding from ADB

Improving Operational Effectiveness and Services

In the last 2 decades, ADB operations in Sri Lanka have been challenging due to the prolonged civil conflict and changing needs. ADB responded with small cycles (3-year against the normal 5-year cycle) of Country Partnership Strategies to flexibly address the government's development priorities.

From 2000 to 2010, ADB evaluated 40 projects. Of these, 29 (73%) were rated either *successful* or *highly successful*.

Important lessons have also been learned. In the Water Resources Management Project (L1757 \$19.7 million ADF), approved in 2000 and aimed to improve the government's capacity to manage its water resources in a participatory and transparent way, failure to implement policy reforms virtually halted the investment component. The project was closed in June 2006, with only \$2.25 million disbursed. Lessons such as these are being incorporated in the design of future projects.

Partnerships and Cofinancing

ADB's extensive cooperation with civil society organizations and development partners has contributed to greater coherence and harmonization of development assistance. ADB coordinates closely with World Bank and JICA on portfolio management issues and in sector assessments. Under NECORD, ADB administered grants provided by Agence Française de Développement, the Government of Norway, and the Australian Agency for International Development for livelihood support and rural electrification. ADB successfully implemented road rehabilitation programs with financing from the

European Union and a livelihood development program funded by the Japan Fund for Poverty Reduction. Some funds from the Organization of the Petroleum Exporting Countries Fund for International Development were also administered by ADB in various sectors.

Cofinancing for ADB projects in Sri Lanka to year-end 2010 amounted to \$670 million for 25 investment projects and \$10.8 million for 29 technical assistance projects.

Improved Portfolio Performance

ADB works closely with the Ministry of Finance and Planning, particularly with the Department of External Resources and the Department of Project Management and Monitoring, to improve portfolio performance. Periodic portfolio reviews are organized jointly with the executing and implementing agencies to address key generic and project-specific issues affecting portfolio performance.

Over the last 3 years (2008–2010), there has been an upward trend in contract awards and disbursements have increased considerably. Sri Lanka recorded its highest level of disbursements of \$308 million in 2010.

ADB's extensive cooperation with civil society organizations and development partners has contributed to greater coherence and harmonization of development assistance

Future Challenges and Goals

Despite an improved environment for economic growth, sustaining the current level of 8% growth will be challenging. Sri Lanka has an infrastructure deficit and the government's 10-year DPF has planned investments in large infrastructure projects in the transport, energy, water supply and sanitation, and irrigation sectors.

The DPF recommends that where investments yield adequate returns over time, private finance will be raised through PPPs. Private investments are expected to rise from 17% of GDP in 2010 to 26% by 2016.

ADB's proposed CPS 2012–2016 is closely aligned with the government's DPF and is based on three pillars: inclusive and sustainable economic growth; catalyzing private sector investment and the effectiveness of public sector investment; and human resources and knowledge management. ADB will remain flexible to support critical interventions in conflict-affected areas and work closely with bilateral and multilateral development partners.

ADB continues to support the government's efforts in infrastructure development that improves connectivity and service delivery to energy regions and former conflict-affected areas. ADB also intends to support capital market reforms to develop equity and debt markets and induce higher savings and investments. Private sector investments will be catalyzed using ADB's credit enhancement products.

To increase equitable access to secondary education and improve the quality of education, ADB will also support the government's

Education Sector Development Framework and Program and the 1,000 schools concept.

ADB will take into account and implement recommendations from its previous reviews of its operations including broadening stakeholder consultations and identifying risks and sustainability factors in its projects.

ADB plans to improve environmental sustainability by strengthening country safeguard systems and through direct interventions to support climate change adaptation. To address the impact of climate change, ADB is building on the work completed under the technical assistance for Strengthening Climate Change Adaptation,¹⁷ including improving capacity of government institutions. Disaster risk management approaches, such as risk-sensitive land use planning, will also be applied during project design, where relevant. ADB's gender mainstreaming in projects continues to emphasize gender inclusiveness and gender empowerment at the design stage. Introducing stringent anticorruption measures and mainstreaming accountability and transparency in ADB's operations will strengthen governance in public financial management and public procurement.

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Photography by James Hutchison.

The cover shows the Southern Expressway which links the capital of Colombo and the city of Matara.

For more information, please visit www.adb.org/SriLanka/ or contact Rita O'Sullivan, Country Director, Sri Lanka Resident Mission (rosullivan@adb.org).
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¹⁷ TA 7326 \$700,000 Climate Change Fund, approved 2009.

Development Effectiveness Brief

Sri Lanka

From 1968 to 2011, the Asian Development Bank (ADB) approved 157 loans amounting to \$5.3 billion and 245 technical assistance projects amounting to \$115 million for Sri Lanka. ADB supports the government's efforts in the post-conflict reconstruction of the northern and eastern provinces. In addition, ADB's interventions will continue to focus on five sectors—transport, energy, water supply and sanitation, education, and public sector management. ADB remains committed in supporting the government's efforts toward making Sri Lanka's growth socially inclusive and environmentally sustainable.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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