



# Completion Report

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Project Number: 34442

Loan Number: 1846

Related Cofinancing: OPEC Fund, Governments of Germany and Netherlands

Grants: 0075-SRI: Governments of Norway and Finland

December 2009

## Sri Lanka: North East Community Restoration and Development Project

Asian Development Bank



## CURRENCY EQUIVALENTS

Currency Unit – Sri Lanka rupee/s (SLRe/SLRs)

		<b>At Appraisal</b>	<b>At Project Completion</b>
		31 August 2001	31 June 2007
SLRe1.00	=	\$0.011	\$0.009
\$1.00	=	SLRs90	SLRs110

## ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	community-based organization
GTZ	–	Deutsche Gesellschaft.für Technische Zusammenarbeit
IDP	–	internally displaced person
NECORD	–	North East Community Restoration and Development (project)
NGO	–	nongovernment organization
OPEC	–	Organization of the Petroleum Exporting Countries
O&M	–	operation and maintenance
PMU	–	project management unit
PPCC	–	provincial project coordination committee
PPTA	–	project preparatory technical assistance
RRP	–	report and recommendation of the President
WRDS	–	women's rural development society

## NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 31 December 2000.
- (ii) In this report, "\$" refers to US dollars.

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## BASIC DATA

### A. Loan Identification

1. Country	Sri Lanka
2. Loan Number	1846-SRI (SF)
3. Project Title	North East Community Restoration and Development Project
4. Borrower	Democratic Socialist Republic of Sri Lanka
5. Executing Agency	Ministry of Local Government and Provincial Councils
6. Amount of Loan	SDR19,694,000
7. Project Completion Report Number	PCR:SRI 1140

### B. Loan Data

1. Appraisal	
– Date Started	5 March 2001
– Date Completed	22 March 2001 (Management Review Meeting held 25 June 2001 and upgraded fact finding to appraisal)
2. Financing Negotiations	
– Date Started	September 2001
– Date Completed	September 2001
3. Date of Board Approval	16 October 2001
4. Date of Signing Loan/Financing Agreement	07 November 2001
5. Date of Loan Effectiveness	
– In Loan/Financing Agreement	09 February 2002
– Actual	09 January 2002
– Number of Extensions	0
6. Closing Date	
– In Loan/Financing Agreement	30 June 2007
– Actual	09 February 2009
– Number of Extensions	0
7. Terms of Loan	
– Interest Rate	1% per annum during the grace period, 1.5% per annum thereafter
– Maturity	32 years
– Grace Period	8 years
8. Relending Terms	N/A

## 9. Disbursements

a.	Dates		
	Initial Disbursement	Final Disbursement Date	Time Interval
	3 April 2002	12 June 2008	36 months
	Effective Date	Original Closing Date	Time Interval
	9 January 2002	30 June 2007	65 months

b. Amount (SDR)<sup>a</sup>

Category	Original Allocation	Last Revised Allocation	Amount Disbursed	Undisbursed Balance <sup>b</sup>
Works – Part A	12,210,000	12,210,000	12,294,395	(84,395)
Works – Part B	3,151,000	3,151,000	1,774,873	1,376,127
Equipment and Material	1,182,000	1,182,000	1,318,509	(136,509)
Consulting Services Part A	473,000	473,000	669,646	196,646)
Consulting Services PMU Support	315,000	315,000	0	315,000
Consulting Services Community Mobilization	394,000	394,000	0	394,000
Incremental Expenditure	1,260,000	1,260,000	1,230,199	29,801
Interest Charge	709,000	709,000	353,691	355,309
<b>Total in SDR</b>	<b>19,694,000</b>	<b>19,694,000</b>	<b>17,641,313</b>	<b>2,052,687</b>
<b>Total \$ Equivalent</b>	<b>25,000,000</b>	<b>28,909,268</b>	<b>25,840,770</b>	<b>3,068,498</b>

PMU = Project Management Unit

<sup>a</sup> Tentative amounts, subject to final loan closure.<sup>b</sup> Amount cancelled on 23 January 2009

Source: Asian Development Bank.

## 10. Local Costs (Financed)

- Amount (\$ million)	17.00
- Percent of Local Costs	53%
- Percent of Total Cost	38%

## C. Project Data

## 1. Project Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	12.7	12.3
Local Currency Cost	27.3	32.3
<b>Total</b>	<b>40.0</b>	<b>44.6</b>

## 2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
<b>Implementation Costs</b>		
Borrower Financed	7.00	9.70
ADB Financed	25.00	25.30
OPEC Fund	4.00	3.70
Government of Germany	2.50	2.50
Government of the Netherlands	0.50	0.80
Beneficiaries (in kind)	1.00	1.00
Government of Norway		0.59
Government of Finland		0.26
<b>IDC Costs</b>		
Borrower Financed		
ADB Financed	0.90	0.50
OPEC Fund	0.20	0.20
<b>Total</b>	<b>40.00</b>	<b>44.55</b>

ADB = Asian Development Bank, IDC = interest during construction, OPEC = Organization of the Petroleum Exporting Countries.

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

Component	Appraisal	Actual
<b>A. ADB and Government Component</b>		
1. Land and Relocation Allowances	0.5	
2. Project Works		
a. Anchor Subprojects	24.4	28.8
b. Community Subprojects	6.0	4.0
3. Equipment and Materials	2.2	3.2
4. Incremental Expenditure		2.6
a. PMU Staff	0.3	
b. Project Support	1.2	
5. Consulting Services	1.6	1.2
<b>Subtotal</b>	<b>36.1</b>	<b>40.6</b>
<b>Interest charges</b>	<b>0.9</b>	<b>0.7</b>
<b>Total ADB and Government Component</b>	<b>37.0</b>	<b>41.3</b>
<b>B. GTZ Management Services</b>	<b>2.5</b>	<b>2.5</b>
<b>C. Project Support Component</b>	<b>0.5</b>	<b>0.8</b>
<b>Total Project Cost</b>	<b>40.0</b>	<b>44.6</b>

ADB = Asian Development Bank, PMU = Project Management Unit.

## 4. Project Schedule

Item	Appraisal Estimate	Actual
<b>Date of Contract with Consultants</b>		
1. Contract Date	2002	November 2003
2. Completion	December 2006	December 2006
<b>General Milestones</b>		
1. Establishment of Project Management Unit	August 2001	August 2001
2. Survey and design, preparation of cost estimates and preparation of bidding documents	June 2002	25 June 2002

**Start of Anchor Subprojects****Health**

1. Bidding and contract awards	Sept 2002	17 Sept 2002
2. Supply and delivery of equipment	Sept 2002	04 Dec 2002

**Education**

1. Bidding and contract awards	Sept 2002	25 Sept 2002
2. Supply and delivery of equipment	Sept 2002	22 Aug 2002

**Water Supply and Sanitation**

1. Bidding and contract awards	Sept 2002	26 Aug 2002
2. Construction	Sept 2002	26 Aug 2002

**Shelter**

1. Bidding and contract awards	Sept 2002	17 June 2003
2. Supply and delivery of equipment	Sept 2002	17 June 2003

**Community Development**

1. Bidding and contract awards	Sept 2002	01 May 2003
2. Construction	Sept 2002	01 May 2003

**Agriculture, Irrigation and Livestock**

1. Bidding and contract awards	Sept 2002	26 Nov 2002
2. Supply and delivery of equipment	Sept 2002	28 Dec 2002

**Fisheries**

1. Bidding and contract awards	Sept 2002	25 April 2003
2. Construction	Sept 2002	25 April 2003

**Roads and Bridges**

1. Bidding and contract awards	Sept 2002	30 Dec 2002
2. Construction	Sept 2002	01 Jan 2003

**Other Milestones**

1. Reallocations of Funds	-	
2. Final Cancellation of Undisbursed Loan Balance	-	

5.	Project Performance Report Ratings	Sept 2002	Sept 2002
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Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 30 October 2001 to 30 December 2001	Satisfactory	Satisfactory
From 1 January 2002 to 31 December 2002	Satisfactory	Satisfactory
From 1 January 2003 to 31 December 2003	Satisfactory	Satisfactory
From 1 January 2004 to 31 December 2004	Satisfactory	Highly Satisfactory
From 1 January 2005 to 31 December 2005	Highly Satisfactory	Highly Satisfactory
From 1 January 2006 to 31 December 2006	Highly Satisfactory	Satisfactory
From 1 January 2007 to 30 June 2007	Highly Satisfactory	Highly Satisfactory

**D. Data on Asian Development Bank Missions**

Name of Mission	ADB Division	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
Fact-Finding/ Appraisal	SLRM	5–23 March 2001	4	60	a,b,c,d

Inception	SLRM	15–17 January 2002	2	6	a, c
Disbursement Mission <sup>b</sup>	SLRM	15–17 January 2002	2	6	a, c
Review Mission 1 <sup>b</sup>	SLRM	15–17 January 2002	2	6	a, c
Review Mission 2	SLRM	27 October–1 November 2002	2	12	a, j
Review Mission 3	SLRM	13–15 November 2002	3	9	a, b, g
Review Mission 4	SLRM	13–17 December 2002	2	10	a, i
Midterm Review	SLRM	16–27 February 2004	4	60	a, e, f, g
Review Mission 5	SLRM	1–16 December 2005	2	32	a, h
Desk Review Major Change in Scope	SLRM	January 2007	1	5	a
Project Completion Review <sup>c</sup>	SLRM	21 September–3 October 2009	3	36	a, g, i

ADB = Asian Development Bank, SARD = South Asia Department, SLRM=Sri Lanka Resident Mission.

<sup>a</sup> a = project specialist (national), b = disbursement officer, c = project officer (national), d = counsel, e = portfolio management specialist, f = post-conflict specialist (consultant), g = project analyst (national), h = financial management officer (national), i = urban development specialist (consultant), j = social protection specialist

<sup>b</sup> concurrent with other mission

<sup>c</sup> The project completion report was prepared by M. Thiruchelvam, Project Implementation Officer, Sri Lanka Resident Mission, South Asia Department.

#### E. Data of Provincial Project Coordination Meetings

	Local Gov't staff	Date	ADB Division	ADB Staff attending <sup>a</sup>	Comments/ main aspects discussed
1	55	14 February 2002	SLRM	a, c	Start up/procedures
2	50	2 April 2002	SLRM	a, c	Education
3	58	2 July 2002	SLRM	a, c	2002 work plan
4	57	5 September 2002	SLRM	a, c	Schools/water
5	61	15 November 2002	SLRM	c	Education
6	71	29 January 2003	SLRM	c	Schools/ Irrigation
7	68	3 April 2003	SLRM	c	Solid waste
8	67	31 July 2003	SLRM	c, g	Education/training
9	65	18 November 2003	SLRM	c	Roads/Hospital/health
10	58	11 March 2004	SLRM	a, c, d	Livelihood/shelter/equipment
11	62	8 June 2004	SLRM	a, d, g	Hospitals
12	63	31 August 2004	SLRM	a, c	Hospitals
13	49	2 December 2004	SLRM	c	Maintenance of assets
14	NA	21 March 2005	SLRM	c	Staff/training

15	51	7 July 2005	SLRM	c	Livelihood/General progress
16	51	14 October 2005	SLRM	c	Livelihood/General progress
17	61	30 November 2005	SLRM	c	Best practice
18	NA	23 March 2006	SLRM	a, c	Project Review
19	NA	18 July 2006	SLRM	c	Hospitals
20	51	10 October 2006	SLRM	b, c, d	Electrical
21	57	14 December 2006	SLRM	c, d	General progress
22	75	3 April 2007		a, c, d	Progress
23	46	2 July 2007		a, c, d, e, f	Wrap Up

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ADB = Asian Development Bank, SLRM = Sri Lanka Resident Mission

<sup>a</sup> a = country director, SLRM; b = deputy director, SLRM; c = project implementation specialist, SLRM; d = consultant, SLRM; e = urban development specialist; f = economist; g = conflict specialist.





## I. PROJECT DESCRIPTION

### A. Introduction

1. The North East Community Restoration and Development (NECORD) Project was developed in response to the Government of Sri Lanka's request for support in restoring basic services and livelihood activity in the north and east areas of the country which had been neglected due to many years of conflict. The project was approved on 16 October 2001 and became effective on 09 January 2002 with an original closing date of 30 June 2007. The scope of the project was based on the assessment developed with the government through the project preparatory technical assistance (PPTA).<sup>1</sup> The project components included rehabilitating basic infrastructure in the education, health, water supply and sanitation, shelter, community development, roads, agriculture, and fisheries sectors, and the related incremental implementation costs and consulting services. Final outputs included 596 contracts<sup>2</sup> for 464 subprojects<sup>3</sup> across these sectors benefiting more than 1 million people. The subprojects were proposed by the beneficiary districts based on requests from local divisional governments in consultation with the villages, communities, and local governments, and approved by the provincial project coordination committee (PPCC) based on agreed selection criteria. The Asian Development Bank (ADB) participated in all PPCC meetings, along with government staff, to ensure equal support to the diverse communities and groups, and that there was no overlap with other development partners and no major gaps. The specifications of the rehabilitation and reconstruction work were based on the government's standard specifications acceptable to ADB. The performance versus the design framework is summarized in Appendix 1.

2. ADB provided a loan of \$25 million from its Special Funds resources to finance about 62.5% of the total project cost. Since the project was to implement a range of complementary activities that could be undertaken within the fluid situation caused by the conflict at the time, such as basic infrastructure and education and health and income-generation opportunities, specific works were not identified at appraisal. Rather, a process approach was followed during implementation based on two general concepts that there would be (i) larger anchor subprojects in each of the main sectors of health, water supply and sanitation, education, shelter, agriculture, and fisheries; and (ii) smaller community subprojects. A further allocation was made for unspecified works to enable the project to adjust for ground realities once detailed evaluation could be carried out. While ADB was the lead agency for the NECORD project, the Organization of the Petroleum Exporting Countries (OPEC) Fund (\$4 million) and the governments of Germany (\$2.5 million) and the Netherlands (\$0.5 million) also supported the project, providing a further \$7 million in grants. After the project had been initiated, the Government of Norway provided a further grant of \$1 million and the Government of Finland provided a grant of \$0.5 million. The World Bank also supported with cash grants the resettled families locating to the new houses provided under the project. The bilateral funds were designated to support the government's incremental implementation costs, consultancies, some of the shelter programs, and to pay community-based organizations (CBOs) and nongovernment organizations (NGOs) for community mobilization services.

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<sup>1</sup> ADB. 2000. *Technical Assistance to Democratic Socialist Republic of Sri Lanka for the Preparation of the North East Community Restoration and Development Project*. Manila. (TA 3542 (SRI) for \$150,000).

<sup>2</sup> Actually 610 contracts were approved, but five were dropped due to damage by the 2004 tsunami and nine had to be dropped due to the resurgence of the conflict in 2006. These were later completed under follow-on projects.

<sup>3</sup> Some subprojects included more than one contract, e.g., one for each of civil works and supply of equipment.

## **B. Rationale for the Project**

3. The armed conflict between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam commenced in 1983. Through the three decades of armed conflict, about 75,000 people were killed and nearly 1 million were displaced, a substantial proportion of these families repeatedly. The conflict also destroyed or damaged houses, government buildings and facilities, infrastructure, and livelihoods, and led to redistribution of ethnic populations, loss of access to markets and social services, and minimal functioning of the civil administration in the project area. Due to the conflict, tens of thousands of internally displaced persons (IDPs) have relocated to areas away from the conflict, overwhelming the already stressed infrastructure and social service facilities in the host communities. The disruption to economic activity was estimated to have decreased the contribution of the Northern and Eastern provinces to national gross domestic product from 15% in the 1980s to 4% in 1997. The scale of the destruction and dislocation strained the government's ability to restore basic services, shelter, and livelihoods for both the local populations and IDPs, in addition to delivering its normal services. It therefore turned to the international community for support. The government in particular requested ADB in 2001, as one of its leading development partners, for assistance to rehabilitate the conflict areas. The project following the ceasefire in 2002 became integral to the government's overall rehabilitation plans and programs for the northern and eastern areas, and the project's rationale and design were sound.

## **C. Main Objective**

4. The goal and objective of the project, as summarized in the project design framework (Appendix 1), was to contribute to the government's overall relief and rehabilitation program for the northeast, by improving the living conditions and well-being of communities affected by the conflict, particularly those that contained significant proportions of relocated IDPs and those where IDPs were returning. The project was a significant part of the government's overall relief and rehabilitation program for the north and east as previously described, and was coordinated closely with projects and programs financed by the government and other international and domestic agencies.

## **II. EVALUATION OF DESIGN AND IMPLEMENTATION**

### **A. Relevance of Design and Formulation**

5. The design and formulation of the NECORD project loan, including the related cofinancing, were in line with the needs and requirements of the eight participating districts, and the villages and communities in their divisions. The general project scope was determined by the PPTA, following the government's overall plan for the conflict-affected areas. The scope was fully in line with the requirements of the government as the local line agencies participated in the PPTA. Based on the PPTA and ADB's loan appraisal, it was decided that the NECORD project would generally focus on community infrastructure (anchor subprojects) in health, education, water supply and sanitation, community development and shelter, agriculture and irrigation, fisheries, and roads, with related livelihood and micro credit programs. Proposals for works and programs were evaluated against the agreed eligibility criteria.

6. ADB's assistance formed an important initial component of the government's overall strategy for rehabilitating the conflict affected areas. Due to the long ongoing conflict, poverty in the region was estimated at more than 70%, compared with the national average of 25%. The project's main objective was therefore focusing on conflict-affected people through provision of

basic infrastructure by improvising access to basic services such as education, health, and administration. This was augmented by providing support for income-generation activities, initially through labor to construct the works under the project, and in the longer term in the agriculture and fisheries sectors (the main employers in the region). The fact that three other development partners joined the project from the beginning, with two more bilateral development partners joining later, indicates that ADB's approach was also deemed appropriate and relevant by these experienced agencies.

7. Achieving the project's objective required a reasonably balanced distribution of support among (i) various communities (Tamil, Sinhala, and Muslim); (ii) returning IDPs and host communities; (iii) people living in cleared and uncleared<sup>4</sup> areas; (iv) urban and rural areas (with bias towards rural areas);<sup>5</sup> (v) those who are most vulnerable, in particular the disabled and households headed by widows or single women; and (vi) other things being equal, areas and communities where poverty was most prevalent. The project works were adjusted (i) as the fluid security situation required; (ii) as populations moved in response to security events; and (iii) as other projects developed, e.g., the ongoing follow-on North East Community Rehabilitation and Development Project-II,<sup>6</sup> the Conflict Affected Area Rehabilitation Project<sup>7</sup>, the Tsunami Affected Area Rebuilding Project,<sup>8</sup> and ongoing and proposed ADB-financed projects for education, roads, and water supply and sewerage. A comparison of the envisaged loan-financed interventions and works compared to those actually implemented are in Appendix 1. The selected areas for the NECORD project are shown on the project map.

8. About \$3 million was left unallocated to provide flexibility in the project's scope. The focus was on least-cost solutions by rehabilitating existing facilities (where cost-effective), as well as adding new facilities at existing locations. Considering that the individual subprojects under each sector had yet to be determined and designed at the time of project appraisal, the costs were only indicative estimates.

9. The NECORD project as envisaged at appraisal and as actually implemented was generally consistent with (i) ADB's operational strategy for Sri Lanka<sup>9</sup> (to promote economic efficiency and higher sustainable growth to improve employment and reduce poverty), and (ii) ADB's Disaster and Emergency Assistance Policy (1987). The project rehabilitated damaged infrastructure and provided support for livelihood rehabilitation. The facilities rehabilitated under the NECORD project enabled beneficiaries to resume a normal life by helping to restore basic services and income-generating opportunities, particularly important for villages with new resettlers and for communities with large numbers of returning IDPs. The project was implemented as part of the government's overall program of restoring reasonable living conditions for people affected by the conflict. As such it operated in close coordination with other ongoing government, international, and bilateral agencies, and NGO projects and

<sup>4</sup> Cleared areas being areas under the control of the government, and uncleared areas being then under the control of the Liberation Tigers of Tamil Eelam. In both cases, basic government administration worked in all areas.

<sup>5</sup> Urban areas were the focus of subsequent relief projects by ADB.

<sup>6</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the North East Community Restoration and Development Project II*. Manila (Loan 2168-SRI[SF], Grant 0007, and G0013).

<sup>7</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Democratic Socialist Republic of Sri Lanka for the Conflict Affected Areas Rehabilitation Project*. Manila (Loans 2043/2044-SRI).

<sup>8</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Democratic Socialist Republic of Sri Lanka for the Tsunami-Affected Areas Rebuilding Project*. Manila (Loan 2167-SRI[SF], Grant 0006).

<sup>9</sup> ADB. 1999. *Country Operational Strategy: Promoting the Environment for Growth*, Manila.

programs. Donor coordination meetings were held regularly to ensure that there was no overlap and that there were no omissions. After the tsunami on 26 December 2004 caused considerable damage in some of the coastal regions which were already included in the NECORD project, there was close cooperation between the eventual tsunami loan projects and the NECORD project.

## **B. Project Outputs**

10. Generally, the actual outputs matched those envisaged at appraisal with only a few minor variations being required to address specific ground realities and reflecting the fluid situation with regard to the conflict. The project as envisaged at appraisal was focused on restoration of basic infrastructure in the four districts in the Eastern and Northern provinces: Ampara, Batticaloa, Mannar, and Vavuniya. However, once the February 2002 ceasefire was declared, the government and ADB agreed to extend the project to all districts in the two provinces, including Jaffna, Kilinochchi, Mullaittivu, and Trincomalee. By this time the project was able to also provide restoration to uncleared areas as there was cooperation and strong support for the project among the local communities, the senior government officials, and Liberation Tigers of Tamil Eelam. All had representatives participate in selecting, planning, and implementing the works. At appraisal it was envisaged that the project would benefit about 560,000 people directly and indirectly. However, with the expanded scope to include all eight districts, more than 270,000 families, or about 1 million people, benefited.

11. The outputs in terms of actual works performed for the different sectors are described in Appendix 2 with sector-specific investments shown in Table A2.1. These were confirmed through the project completion report preparation field mission, which visited 50 subproject sites in four districts, about 10% of all the subprojects under the project. The physical works are relevant and are in full use, with operation and maintenance (O&M) supplied by the local line departments and local communities. The original plan of a balanced allocation for each sector was generally achieved. The project restored basic services in the most urgently needed areas, with knowledge that by the time the implementation was under way a second project would follow. This helped the logical planning and prioritization of the project, and helped stretch the funds across eight districts instead of the original four. The return of hostilities in 2006 caused some disruption in the works and some superficial damage to some facilities, but these have subsequently been repaired under the NECORD II project.

12. During implementation, the project also ensured that there was not only fair distribution of the funds among each of the eight districts<sup>10</sup> but also among the 74 divisions within the districts. Concurrently, the project management unit (PMU) ensured that there was balanced support to all the various cultural and religious communities in the eight districts, as indicated in Table A2.2.

## **C. Project Costs**

13. The details of the estimated and actual project costs for the NECORD project loan of \$25 million are detailed in Appendix 3.

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<sup>10</sup> The Northern Province comprises 5 districts which are subdivided into 32 divisions and 912 *Gramma Niladrari* (village) units. The Eastern Province comprises 3 districts which are subdivided into 42 divisions and 1079 *Gramma Niladrari* units.

#### **D. Disbursements**

14. The NECORD project disbursed \$25.3 million, with only \$1.5 million remaining for cancellation before loan closure on 2009. Actual allocations for each component, the summary of the 596 contracts, and actual disbursements are shown in Appendix 3. All of the works and equipment supply contracts were procured through either national competitive bidding or direct purchase, acceptable to ADB, and were paid for through the district imprest accounts. The PMUs were provided with continuous training in operating these accounts and preparing withdrawal applications acceptable to ADB.

#### **E. Project Schedule**

15. The project followed a process approach. During the bimonthly PPCC meetings, subprojects were approved for implementation. Each of the subprojects had an implementation cycle of 300–540 days from the time of identification of the subproject. This included 50–70 days for the initial subproject preparation, district administration approval, and PPCC approval. Following PPCC approval, 30–40 days was needed for detailed design and ADB approval; another 50–70 days were needed for bidding and award. The construction period varied between 180 days and 360 days. Appendix 4 outlines the subproject approval process. Overall the project kept to the loan implementation period of 60 months. The project completion was set as 31 December 2006, with loan closure by 30 June 2007. This schedule was achieved.

#### **F. Implementation Arrangements**

16. The governors of the Northern and Eastern Provincial Council were the overall coordinators, in particular to manage the critical interaction between provincial line agencies and the central government, including the security services. The executing agency was the Ministry of Local Government and Provincial Councils which provided liaison with the central ministries in Colombo. The implementing agency was the Northern and Eastern Provincial Council, under the direction of the chief secretaries of the provinces.<sup>11</sup> The National Project Coordinating Committee linked all the provincial agencies with the national ministries for overall policy guidance. The PPCC was chaired by the chief secretaries and met every 2 months to review subproject proposals from district governments for inclusion under the project.

17. The provincial, district, and divisional line departments and agencies for each sector were responsible for the implementation of the anchor subprojects. The specifications for buildings, roads, and other physical works followed the government's normal plans and technical requirements. The central PMU in Trincomalee and the eight district PMUs were responsible for day-to-day implementation. The district PMUs facilitated the preparation of all plans, designs, and bidding documents, and also facilitated construction supervision on behalf of the departments and line agencies. The subprojects selected for inclusion under the NECORD project were proposed by the divisional offices in consultation with the beneficiary villages and communities. These were then sent to the district departments through the divisional secretaries for concurrence and overall fit within the district plans. Once approved by the district government agent or secretary, the subproject proposals were submitted to the PPCC through the divisional coordination committees, where all line agencies were represented and were encouraged to voice their opinions and proposals. ADB and other development

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<sup>11</sup> The Northern and Eastern provinces were combined under one administration during the initial project implementation period. In 2007, the administration was separated and staff were allocated to both provinces.

partners attended the PPCC meetings and gave informal intimation of acceptability of the proposed works. The organization chart is in Appendix 5.

18. While this procedure may seem complicated, it followed the government's own well-established procedures and all decisions were made without major delays or problems. The 464 subprojects with 596 contracts are brought into context when divided into the 74 divisions participating in the project, so there were only 8–10 subprojects per division. Also, most of the works were small and were completed within 6–12 months. Therefore, there were only 2–3 subprojects ongoing in a division at any one time over the 4 years of actual implementation.

19. NGOs facilitated implementation of the community development and livelihood programs with the help of the already established local societies and CBOs. Due to the conflict, these CBOs were dormant in many communities but, with the infusion of funds from the NECORD project and encouragement from ADB, the eight district governments were able to rejuvenate these societies to work with the district PMUs and improve their communities. A major benefit of this approach was that, even after ADB's involvement stopped, the local community groups had an ongoing support structure in place.

### **G. Conditions and Covenants**

20. The project and sector-specific covenants as specified in the Loan Agreement (Schedule 4) were fully complied with as follows: (i) all subprojects met the selection criteria; (ii) all subproject proposals were selected in the format agreed and circulated to stakeholders 14 days before PPCC consideration; (iii) the government was able to recruit 1,950 Tamil-medium teachers, and the schools now have few vacancies; (iv) the government is filling the vacancies in the district hospitals and rural health clinics; (v) all subprojects had an environment assessment checklist completed as required, which was reviewed by ADB; (vi) there was no land acquisition or loss of structures or livelihoods under the project; (vii) the CBOs involved in community mobilization, implementation, and subsequently O&M of new facilities were trained as required and are carrying out their responsibilities; (viii) the central PMU developed a management information system with support from Deutsche.Gesellschaft.für.Technische.Zusammenarbeit (GTZ), which generated and tracked basic data used to select subsequent subprojects; and (ix) the PMU appointed the project director before Board approval and staffed it by the time of loan effectiveness, fielded consultants on time, and had ADB approve any major (greater than 15%) contract variations prior to approval. The status of compliance with the covenants as of the end of the project is in Appendix 6.

### **H. Other Development Partners**

21. As indicated in the introduction, the OPEC Fund contributed \$4 million. These funds were used to supplement ADB's loan to increase the project scope and were administered by ADB. The Government of Germany contributed \$2.5 million specifically to provide project management and consulting services to the central and district PMUs through GTZ. The Government of the Netherlands originally contributed \$0.5 million specifically to be used for shelter and housing. Based on the original budget of about \$400 per house, this would provide funds for 1,250 houses. However, as the project progressed the grant per house increased substantially, in line with rapid inflation, as did the number of houses required, so the ADB loan also supported the shelter component.

22. Following commencement of the project in early 2003, the Government of the Netherlands provided an additional €2.7 million for livelihood assistance, school furniture, and

project planning and supervision as a parallel financing. The Government of Norway offered support of \$1.0 million and the Government of Finland offered support of \$0.5 million after the project had commenced, specifically for the Kilinochchi General Hospital which had been destroyed in the conflict. Norway's grant was for the civil works and Finland's for purchasing equipment for the hospital. The funds were administered by ADB through the NECORD project. The World Bank, from its North East Economic Recovery Project, provided \$10 million to provide resettlement allowances of SLRs25,000 (\$230) to the returning and resettled IDP families. These additional funds, administered by the PMU, complemented the subprojects financed by ADB.

## I. Consultant Recruitment and Procurement

23. Based on the report and recommendation of the President (RRP) for the project,<sup>12</sup> it was estimated that 14 person-months of international consulting services and 2,270 person-months of national consulting services would be required to support the central and district PMUs, for which the budget was \$1.6 million. However, during the initial period of implementation, it was determined that international consultants would not be required. This was because the standard components— buildings, water systems, roads, and related equipment—were all small scale and would follow the government's standard specifications. ADB's Sri Lanka Resident Mission staff provided extensive support and training to the PMUs regarding ADB's tendering procedures. However, a local consulting company was engaged, following ADB's *Guidelines on the Use of Consultants* (1998), to provide architectural and engineering support to the provincial council and all of the eight district secretaries offices to help design and supervise all reconstruction and development. National consultants, comprising an architect, a structural engineer (buildings), a design engineer (roads), and a quantity surveyor, were provided for 24 months each to support the provincial council. In addition, 24 construction engineers were provided to the districts. The total professional consulting time was 996 person-months. The contract was for SLRs148.54 million (\$1.6 million) to be completed by the end of 2005. However, there was about SLRs38 million (\$380,000) in savings and, at the government's request, ADB approved contract extensions for the architect, structural engineer, and quantity surveyor until the end of 2006 to enable them to provide continued assistance for completion of the larger district hospitals, including the Kilinochchi General Hospital.

24. In addition to these professional specialists, the district PMUs, each consisting of about 40 staff and headed by professionals seconded from the provincial and district line agencies, also hired a number of engineers and construction inspectors (technical school graduates) to provide on-site supervision of every works contract. The total person-months for these inspectors was more than 3,000, but they were paid government rates of only about \$6/day plus living allowance. The cost of operating the PMUs were met from the incremental expenditure budget of \$1.5 million included in the RRP cost estimate.

25. Procurement of civil works and materials conformed to ADB's *Procurement Guidelines* (1999) and was in agreement with methods prescribed in the RRP (paras. 75 and 76), the Loan Agreement (Schedule 4), and the government's standard procedures acceptable to ADB. The designs, specifications, and tender documents were prepared by the district PMUs. The tenders were called by the district government agent or district secretary. Bids were evaluated by the bid evaluation committee established in each district, chaired by the district secretary. These

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<sup>12</sup> ADB. 2001. *Report and Recommendation of the President: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the North East Community Restoration and Development Project*. Manila (Loan 1846-SRI).

committees had 11 members, consisting of the heads of each of the line departments and agencies participating in the project. The district PMU director was the secretary of the committee and a senior engineer from the district PMU headed the technical committee and prepared the bid evaluation reports. ADB reviewed the first three bid evaluations for each of the sectors in each district, after which ADB provided post-award approval. Most of the equipment supply contracts were for less than \$0.3 million and were awarded through direct purchases as allowed for in the Loan Agreement. All payments to the contractors and suppliers were made through the imprest accounts.

## **J. Performance of Consultants, Contractors, and Suppliers**

26. **Consultants.** The district secretaries, the project director for the central PMU, and the heads of the district PMUs all reported that they were satisfied with the services of the consultants. The project completion review mission found that the works had been well planned, specifications for physical works appeared to have been met, and PMU records indicate that various construction supervision activities carried out by the consultants and the inspectors were fully recorded. The project director of the central PMU did indicate that, because of the long conflict and the subsequent upsurge in work as the 2002 ceasefire took hold, there was a dearth of experienced engineers in the area and in Sri Lanka in general. Substantial on-the-job training was provided by experienced core staff of the central and district PMUs.

27. **Contractors and suppliers.** The various contractors and the suppliers performed their services in a generally satisfactory and timely manner. All of the civil works under the anchor subprojects (hospitals, buildings, water supply, and roads) were constructed following Sri Lankan standards and are of good quality as confirmed by the PMU reports, ADB's Sri Lanka Resident Mission review missions, and the project completion review mission site visits. Quality assurance was provided by the district PMUs using their engineers and construction inspectors. The civil works contracts were mostly completed on time as per the contractual agreements. However, due to the resurgence of the conflict in 2006, some works were delayed as contractors either could not access some sites or because the main roads, along which materials to the sites were transported, were blocked. However, this was beyond the contractors' control. The incomplete works resulting from the conflict were completed under the follow-on NECORD II project. The aide-mémoire and back to office reports of ADB's project review missions raised no issues with contractor performance and procurement and the project performance report shows this as satisfactory. Details of the distribution of contracts by districts are given in Appendix 7 in the following tables: (i) for civil works, Table A76.1; (ii) for supply, Table A7.2; and (iii) for community development works, Table A7.3.

## **K. Performance of the Borrower, Executing Agency, and Implementing Agencies**

28. The performance of the borrower, the executing agency, and the district implementing agencies was rated *satisfactory*. ADB had immediate access to the district secretaries and government agents, provincial and district line departments and agencies, and the central and district PMUs. The chief secretaries of the Northern and Eastern provinces and governors provided timely leadership and ensured that local issues were resolved quickly. The central government agencies—including the Ministry of Finance, Department of External Resources, Department of Budgets, and the Ministry of Local Government and Provincial Councils—provided uninterrupted leadership and support for smooth implementation of the project. This continuous support enabled the NECORD project to become a model project for post-disaster

operations, particularly for the 2004 tsunami emergency assistance project.<sup>13</sup> Also, the project became a model for devolution and improved coordination between central, provincial, district, and local governments. The high-level support and coordination enabled the PMU to work in uncleared areas and implement the project on schedule, despite the fluid security situation.

29. The project director, a very experienced and dedicated retired government staff officer, was assigned to set up the central PMU in August 2001, before ADB Board approval. He provided full-time direction to the project throughout its life. The heads of the district PMUs and the senior staff were senior officers within the local governments, and most of them “were home,” having grown up and lived in the local area. Many of these officers stayed with the project from inception to completion, ensuring continuity. While some stayed on with the PMU for the follow-on NECORD II project, others returned to their line departments and agencies once the project was completed, bringing their experience and commitment to their home areas with them. Many of these officers are now the local government counterparts for the follow-on projects, ensuring smooth cooperation with the PMUs.

30. The project implementation followed the government’s existing procedures, with the added benefit of having a dedicated PMU to boost the capacities of the various government agencies, particularly at the district and division levels. The selection, planning, and approval of the numerous subprojects were done in a participatory and transparent manner. ADB, other development partners, and even representatives of the Liberation Tigers of Tamil Eelam were invited to the PPCC meetings and encouraged to provide input. The bottom-up selection of subprojects—from local, village, and community to division, district, and provincial level—helped to instill confidence and ownership of the process and the resultant facilities. The coordination among the numerous development partners and the government’s own ongoing projects and routine work was excellent. Decision making was delegated to the PPCC with no interference from the central ministries. The PPCC met 23 times during the 60-month implementation period, ensuring prompt approval of proposed works. The PMU set up a website ([www.necord.org](http://www.necord.org)) to enable public input and provided updates, progress reports, bid notices, and newsletters. The website was also linked to the provincial council websites. There were no known complaints about corruption.

## **L. Performance of the Asian Development Bank**

31. The project was prepared based on ADB’s *Disaster and Emergency Assistance Policy* (1987) through small-scale technical assistance. The PPTA set out the general scope and framework of the project, but left the detailed planning and design to be carried out during implementation. This flexibility was an effective way to respond to the fluid conflict situation and changing ground realities. The selection criteria guided this process and the project did not entail any resettlement or serious environmental impacts. This enabled work to proceed quickly and the first contracts were issued by September 2003, only 6 months after the loan became effective. ADB’s procedures under emergency loans allow for a compressed schedule for processing and approval procedures of consultant recruitment and procurement. The approval of proposals for subprojects was immediate as ADB participated in the PPCC meetings. While the first three contracts in each of the main sectors had to be approved by ADB, the subsequent contracts were approved on a post-award basis.

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<sup>13</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Democratic Socialist Republic of Sri Lanka for the Tsunami-Affected Areas Rebuilding Project*. Manila (Loan 2167-SRI[SF], Grant 0006).

32. The project was delegated to the Sri Lanka Resident Mission on becoming effective. The extensive involvement of the resident mission staff throughout the project's preparation and implementation provided timely support to the project. Resident mission staff participated in and provided input as required at the PPCC meetings and conducted numerous missions to the project areas, especially as the follow-on NECORD II project and the Tsunami Emergency Assistance Project began operating in some of the same coastal areas, when joint missions could be carried out. The government agents, district secretaries, project director, and the heads of the four PMUs visited by the project completion review mission all expressed their gratitude to ADB and the Sri Lanka Resident Mission for the excellent support, training, and guidance ADB staff provided throughout the project.

### III. EVALUATION OF PERFORMANCE

#### A. Relevance

33. The NECORD project was very *relevant*. It was the first major intervention by ADB in the much-neglected conflict zone. The state of the basic infrastructure, communities, and housing was very poor. Some areas had not had any new development or maintenance for many years, some since the hostilities broke out in 1983. This, combined with the physical damage caused by the conflict, left many residents without proper basic services and infrastructure. Many residents had relocated, either because of the conflict itself or because of the lack of economic activity, and were living with relatives or in welfare centers in the area, or in India. The project focused on the most urgent requirements as determined in consultation with the local communities and their local and divisional governments.

34. The sectors chosen for ADB assistance were in support of the government's overall development priorities for the Northern and Eastern provinces as discussed in the Sri Lanka High Level Development Forum on Poverty in December 2000. It was also in line with ADB's Country Operational Strategy 1999.<sup>14</sup> The project attracted a further \$21 million from other development partners, almost doubling ADB's loan of \$25 million. The project focused on health, education, shelter, community development, agriculture and fisheries livelihoods, shelter, and related services such as water supply, sanitation, roads, and electrification. As indicated in the outputs section (paras. 10), the project directly benefited more than 500,000 people and indirectly benefited a further 500,000. The physical works and livelihood programs provided under the NECORD project were properly constructed and are being well maintained from the regular O&M budgets of the line government departments and agencies responsible. The project had a major impact on the quality of life of these beneficiaries, and this is ongoing.

#### B. Effectiveness in Achieving Outcome

35. The project was *effective* in achieving the outcomes. The fact that the planning, design, and implementation followed the government's existing requirements and procedures greatly helped in implementation and sustainability of the project's physical works and livelihood components. The first tenders for works were issued within 6 months of the loan becoming effective. The 464 subprojects and 596 contracts under the project were completed within the original schedule and within the total loan amount.

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<sup>14</sup> ADB. 1999. *Country Operational Strategy: Promoting the Environment for Growth*, Manila.

### C. Efficiency in Achieving Outcome and Outputs

36. The efficiency in achieving the outcome and outputs of the various works under the project was good. Since the implementation followed the government's existing approach and procedures there was no need to increase the staff of the responsible line departments and agencies. The central PMU and district PMUs provided all the staff required to implement the project. The cost of the incremental administration and consulting services envisaged at the time of appraisal were sufficient to complete the project, with no need for budget increases. The senior staff of the PMUs consisted of officers seconded from the line departments and agencies. The central PMU and district PMUs were trained by Sri Lanka Resident Mission staff in ADB requirements and procedures.

37. The fact that all the physical works involved either restoring existing buildings and facilities or constructing new buildings on existing grounds or land (as required by the selection criteria) meant that there was no land acquisition. The use of standard plans and specifications saved considerable time and effort and enabled designs and tendering to proceed without the often laborious and time-consuming design and approval processes. There was also efficiency in the use of the loan funds in the sense that the first option to be adopted was restoring existing structures; this meant that there was a high benefit for comparatively low cost. Examples of this include (i) repair of irrigation bunds which had been breached by explosives meant that, for a minimal cost of only \$10,000–\$20,000, hundreds of hectares of rice paddy could be put back into production helping several hundred farmers restore their livelihoods and so impacting 5,000 people; (ii) for only \$20,000–\$30,000 a school building with 20–30 classrooms could be put back into operation, providing good facilities for 700–1,000 students; (iii) for only \$100,000–\$200,000 a district hospital could be restored, providing access to medical facilities for tens of thousands of people; and (iv) for only \$120,000 a water supply system could be restored, providing safe water supplies for 3,000 people. Since the subprojects were small in terms of funds the project had nearly 596 packages to provide help to the most people quickly. The follow-on NECORD II project focused on more cost-intensive works in the rural and urban areas, expanding on the works already completed under the NECORD project.

### D. Preliminary Assessment of Sustainability

38. The restored and new facilities and livelihood programs implemented under the loans are sustainable to date. The main reasons for the project's success in this regard are that (i) all the works and programs were selected through a bottom-up approach; (ii) the works and programs were planned, approved, designed, and implemented through the government's existing procedures; (iii) there was urgent demand for the infrastructure and the beneficiaries were therefore extremely grateful for all the improvements and were willing to support the O&M; and (iv) the O&M of the various works and programs are part of the already existing budgets so that the new facilities and programs are operated and maintained. This is particularly the case for the community development and livelihood restoration programs which often falter after project completion as ADB, government officials, and NGOs involved in the project leave. The specific sustainability performances related to each sector under the project are summarized in paragraphs below.

39. **Health.** The hospitals and health clinics restored or constructed under the project were initially underutilized due to the 2006 resurgence of hostilities which caused many residents of the affected areas to flee and prevented the assignment of doctors who had all left the area many years before. Many of the restored facilities, particularly in the rural areas, were run by nurses and/or midwives trained under the project. However, since the cessation of the conflict in

May 2009, the government is posting doctors to these rural hospitals and clinics. The project completion review mission met six such doctors who had just taken up residence in the rural health clinics. Concurrently, local residents are beginning to return home, ensuring better use of these facilities.

40. **Education.** The schools are all fully utilized with sufficient teachers for the student population. The teachers are generally from the local community and either reside in the teachers' quarters in the remote rural areas or in their own homes in urban areas. The teachers are paid by the government, and school lunches are also paid for. The government does provide a budget for O&M—electricity, building maintenance, and replacement of textbooks—and support for poor students, though this is insufficient. However, additional support is provided by the parent societies established for each school, and the project completion review mission found all the schools visited to be well run and well maintained.

41. **Water supply and sanitation.** The village and town piped water supply facilities constructed under the project are owned and operated by the National Water Supply and Drainage Board. The restored systems have system and house meters and consumers are paying a reasonable tariff which helps offset the cost of O&M. The small wells dug as part of the shelter, health clinics, schools, agrarian centers, and community development subprojects are maintained by the various CBOs.

42. **Shelter.** The houses funded and constructed under the project were basic—three rooms, 500 square feet (46.45 square meters), consisting of unfinished brick or cement block walls with tiled roofs. Little improvement was noted by the project completion review mission in the poor communities; however, many recipients have added to their house and finished the interior and exterior walls. All the houses visited by the project completion review mission were occupied by the original owners.

43. **Community development.** The villages which had participated in the project had better housing, were cleaner, and were visibly better off than villages not involved. The women's rural development societies in particular were flourishing and using their combined savings and earnings to help their children, families, and communities. The fact that these programs were implemented by the existing CBOs (already in place though dormant due to the conflict and government neglect) meant that these organizations were rejuvenated by the project and are actively expanding their activities. This bodes well for these programs to remain sustainable, as long as the government continues to support these societies and CBOs. The related electrification of 70 villages has also had a major impact on the quality of life and economic opportunities for the residents.

44. **Agriculture and fisheries.** The conflict caused thousands of hectares of agricultural land to be abandoned as residents fled. The reservoir bunds were targeted and breached during the conflict. However, with the return to normalcy after the August 2002 ceasefire, farmers began returning home. The restoration of the irrigation reservoirs or tanks was the first priority to ensure that monsoon rains were captured. Concurrently the restoration of the agrarian centers enabled farmers to receive free new seed strains and fertilizers,<sup>15</sup> and to access modern mechanical equipment on a rental basis for plowing paddies and for harvesting. These centers also provide training and advice on marketing of crops. The farmers' societies are active and the local agrarian centers provide an important service, especially for the returning farmers, some of

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<sup>15</sup> Enough to grow sufficient rice for their own consumption.

whom have been away for a decade or more and need help with learning about new seed strains, fertilizers, and vegetable and cash crops.

45. The fisheries sector received help with restoring anchor points, motors, and nets (new boats were provided by other development partners). The project also constructed markets to provide a focal point for smaller and poor fishers to sell their catch. These new facilities were underutilized after the 2006 resurgence of the hostilities when most coastal areas were closed to fishing. However, these have recently been opened and the project completion review mission saw activity at the fish markets and many boats being used for fishing.

46. **Roads.** Although roads were not part of the original budget of the project, about 75 kilometers of rural and village roads were constructed, mainly due to the August 2002 ceasefire which enabled access for contractors and transportation of materials. Roads were sorely needed as these had been neglected since the outbreak of the war in 1983. Dozens of village and community roads were built under the project through the front-end activities program. This involved paying poor villagers and IDP returnees for their work in constructing these roads and paths. This gave them paid work for several months, helping them get settled, and gave them time to find more permanent work.

## **E. Impact**

47. The NECORD project had a major beneficiary impact by helping to restore basic services, shelter, and livelihoods for 500,000 beneficiaries and benefiting a further 500,000 people indirectly. This helped to stabilize the economies of the Northern and Eastern provinces and helped people displaced by the hostilities return home to more productive and better quality lives by improving their standards of living and economic opportunity. The newly constructed and restored physical facilities and the various community development and livelihood programs are reasonably sustainable. The project completion review mission noted that, in the communities visited but especially in the larger towns, commerce has returned, even in areas that were in a conflict situation just a few months previously. The markets were busy, schools, health clinics, and agrarian centers were in full operation, and life appeared to be returning to normal.

48. The project supported each of the eight districts in a balanced way in terms of allocated funds, although for different works as specified and prioritized by the local communities and governments. In terms of gender, more than half of the beneficiaries were women; many of the houses provided under the shelter component were for widowed or single mothers. Also, the community development projects focused on helping the poorer households, often headed by women. The project also ensured that the various cultural and religious communities received fair and equitable support from the project to prevent social tensions. The project was able to meet the government's stringent requirement "to do no harm" or otherwise negatively impact the ceasefire agreement. By the time hostilities broke out again in 2006, most of the works under the project had been completed.

## **IV. OVERALL ASSESSMENT AND RECOMMENDATIONS**

### **A. Overall Assessment**

49. Using ADB's criteria to determine project rating, it is considered that the project was *highly successful* based on a review of its relevance, effectiveness, efficiency, sustainability, and impact. The project meshed well with the government's strategy for restoring normal life in

the former conflict areas. There is an obvious return to normalcy in all the towns—markets are busy, and farmers and fishers are back at work. The infrastructure works were constructed to government standards and are of good quality. Based on the observations of the project completion review mission, more than 2 years after the project was completed most of the infrastructure created was staffed and maintained. However, sustainability of the infrastructure created depends on continuous support both from the government and community.

## **B. Lessons**

50. The main lesson learned through implementation of the project was that, by working with and supporting existing government structures and procedures, works and programs can be done quickly and efficiently. This approach also enabled rapid implementation and project completion within the original loan closing date of June 2007 (financially the loan was closed in 2009). It also ensured that many dozens of trained government officers brought their experience with them upon return to their home departments. The project becomes a model for post-disaster operations, particularly with the 2004 tsunami. Also, implementation through provincial councils supported the principles of devolution and improved coordination between central and provincial governments.

51. By working with the local government departments and agencies, the most urgent areas for support were quickly identified as these were already on record. The bottom-up approach within these areas to select the most urgent and locally prioritized works led to better ownership of the various works, helping with continued sustainability. It also provided a proper understanding of the local diverse communities that lived in the conflict areas and all were treated equally in terms of benefit from the project.

52. Another lesson learned was that, by leaving the specific requirements and works to be decided as implementation progressed, the project authorities were able to respond to the most urgent needs, even in a fluid conflict situation. This also saved considerable funds as the project was prepared by small-scale technical assistance for only \$150,000 completed within a short time frame.

53. The fact that the existing government structure included a number of standard societies and CBOs already established in each village to develop economic activity was a major help in not only selecting the highest priority works, which varied from village to village, but also in improving local income activities. A related benefit is that, even after the project is implemented and the PMU and ADB have moved on, these CBOs remain to support the various activities, leading to better sustainability. While ADB initiated the community programs that were so successful, the government is commended for allowing loan funds to be used to restart the programs and CBOs which had become dormant due to the conflict and lack of funds.

54. The close coordination of the multiple development partners was important in ensuring that works and programs were complementary, with no overlap or gaps in support. The project was able to incorporate separate but complementary programs from four bilateral development partners, as well as the World Bank and the OPEC Fund. This helped the overall implementation and impact of the project by incorporating grant funds judiciously with loan funds to better address areas governments are traditionally reluctant to fund with loans—e.g., cash grants, consulting services, and NGO support.

55. The former chief secretary of the Eastern Province and the project director indicated to the project completion review mission that, when ADB is operating in areas with multiple

projects being implemented concurrently, it should ensure benefits from such projects are equal. They cited the example that the tsunami assistance from other development partners provided twice the funding per house as did the NECORD project. This resulted in inequities in a number of coastal villages where both projects funded housing. In an already tense or conflicted environment this can lead to problems among the beneficiaries. They asked ADB to be “sensitive” to such aspects.

56. Senior provincial and district government officials expressed gratitude to ADB for its timing and the confidence in the provincial council system for implementation of the project. The former chief secretary of the Northern Province stated that “the project brought government back to the people.” The officials also indicated that the government departmental and agency staff seconded to work in the PMUs for several years came back to their former jobs with new ideas, excellent hands-on experience, better work habits, and more dedication to their jobs.

57. ADB’s close involvement through the Sri Lanka Resident Mission was felt to be a major benefit to better implementation. Resident mission staff were able to attend all the PPCC meetings and make regular visits to the project sites. They also trained the PMU staff in good practices and ADB procedures.

### **C. Recommendations**

58. The success of the NECORD project indicates that, where possible, ADB should work through existing government departments and agencies following their standard procedures, as long as these are acceptable to ADB. This saves not only a lot of time and funds in preparing a project, but also helps in identifying the neediest beneficiaries and the most urgent works. This approach also helps to shorten the time required for project implementation and ensures better local ownership of the new facilities. This would be the case for post-conflict, emergency, and regular loans.

59. The establishment of a dedicated PMU to facilitate the implementation and coordination with different government agencies is required, especially when the project involves multiple sectors, multiple layers of governments, vast geographical areas, and multiple development partners. Another important factor is that, in a conflict situation, there needs to be extensive coordination with the groups involved in the conflict. The project director of the PMU should be a senior respected government officer who reports directly to the chief secretary or other senior administrative officer in the local government. Senior government staff should be seconded to the PMU and placed in decision-making positions. However, the design specialists, technical designers, construction supervisors, and support staff (including international experts, if required) can be recruited from the private sector. This aspect worked well for the NECORD project and was one of the reasons it was completed successfully.

60. ADB should allow adequate time for planning, design, tendering, and construction of projects, including emergency projects. The NECORD project was allowed 5 years for implementation rather than the usual 3 years under ADB emergency loans. The additional time enabled the government to properly plan and implement the project works and livelihood programs, and was one of the reasons for the project’s success. This is especially true for emergency loans, which need to not only work in damaged or conflict areas, but also overcome the related disruptions and difficulties in mobilizing local communities. In most cases, other emergency projects with the 3-year time frame have had to be extended, which causes extra work for the implementing agencies and ADB staff, and tends to discourage government agencies as they feel that their project is always behind schedule.

61. ADB and the borrower should plan for adequate incremental expenditures and consulting support to plan, design, and implement such a project. In the case of the NECORD project, about 10% was allowed for this under the ADB and participating development partners' funding. This is higher than for most ADB loans, and in addition the German grant of \$2.5 million provided extensive additional support to the project's implementation through experts provided by GTZ. The fact that the NECORD project was prepared by the ADB country director of Sri Lanka, who was an experienced senior technical project officer, appears to have facilitated both ADB's internal approval of the extra time and the government's approvals of the higher level of consulting support, to enable a better quality project. The additional implementation time and appropriate levels of consulting and incremental support should be incorporated into all such projects.

62. The NECORD project preparation identified the general areas and sectors of support but did not specify or evaluate specific works due to the fluid conflict situation at the time. This provided flexibility to select the works and programs as the situation allowed. This meant that there was no need for the numerous changes in scope common for many projects, saving time and effort on the part of both the local governments and ADB staff.

63. The bottom-up approach to the selection of subprojects should be followed in all projects, to ensure there is both need and demand for the new works and ownership of completed facilities.

64. ADB should ensure that its resident mission administers its emergency assistance projects. ADB's close involvement throughout project implementation provides timely guidance and coordination to the implementing agencies. This includes regular field visits to monitor the works and programs, which is not possible unless the project is locally administered.

65. ADB's policy on emergency assistance should look at (i) the time period for implementation given that there are the usual constraints of both physical and human resources, (ii) flexibility in interpretation of the safeguard policies in these special circumstances, (iii) procurement methods, and (iv) an increased role of the resident mission in preparing and implementing projects.

## PROJECT PERFORMANCE AGAINST INITIAL DESIGN FRAMEWORK

Design Summary	Performance Targets and Indicators in Original Design	Achievements
<p><b>A. Goal and Impact</b></p> <ul style="list-style-type: none"> <li>• Contribute to the government's overall relief and rehabilitation program for the North East.</li> </ul> <p>Monitoring Mechanisms</p> <p>Risks and Assumptions</p>	<ul style="list-style-type: none"> <li>• Reduced level of poverty of a substantial proportion of the population of the North East.</li> <li>• Improve living standards in the North East.</li> <li>• Long-term surveys of numbers of people living in welfare centers; income levels; health and education status, using measures adopted for earlier government surveys</li> <li>• The conflict will not increase in severity or extent of damages and internally displaced persons.</li> <li>• The Project facilities will not be damaged or destroyed.</li> <li>• There is no significant increase in the numbers of internally displaced people.</li> <li>• Government and the Liberation Tigers of Tamil Eelam (LTTE) permit Project implementation to proceed without significant restriction.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitated resettlement of 112,395 families, more than 500,000 persons.</li> <li>• Provided SLRs25,000 (\$230) to each resettled family for resettlement.</li> <li>• Reconstructed damaged/destroyed infrastructure in the resettlement areas.</li> <li>• Benefited more than 272,000 families; more than 1 million people benefited directly or indirectly.</li> <li>• Despite the ongoing conflict, the project was able to meet with both sides and carry out project activities, even in uncleared areas.</li> <li>• A few facilities were superficially damaged by the conflict; repairs completed under NECORD II project.</li> <li>• Following the ceasefire agreement signed in August 2002, a more conducive environment for implementation of the project resulted.</li> <li>• There was loss of some completed project facilities in five coastal districts due the 2004 tsunami; total losses estimated at SLRs93 million (\$0.93 million).</li> </ul>
<p><b>B. Purpose and Outcome</b></p> <p>Improve the living conditions and well-being of communities in the Project area that have been affected by the conflict, particularly communities that contain significant proportions of internally displaced people (IDPs).</p>	<ul style="list-style-type: none"> <li>• Improvements in the status of health, and education of people living in the project areas.</li> <li>• Improvement in incomes and self-reliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to health, education, water supply, and sanitation facilities for more than 1 million people living in the project areas, including the 0.5 million of IDPs that were</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
		<p>resettled and those still remaining in the welfare centers.</p> <ul style="list-style-type: none"> <li>• About 60,000 families (250,000 persons) participated in, and received SLRs25,000 (\$230) in support for, various types of livelihood restoration.</li> </ul>
Monitoring Mechanisms	<ul style="list-style-type: none"> <li>• Monitoring by the Project Management Unit (PMU), based on the Project's monitoring and evaluation system, of improvements in health indicators (malnutrition, infectious diseases, etc.); increases in school enrolment, particularly of children from internally displaced families, and reductions in drop-out rates; reductions in the number of people existing solely on welfare rations and payments, and increases in the number of people wholly or partly supporting themselves</li> </ul>	<ul style="list-style-type: none"> <li>• The PMU had sufficient staff and resources to properly monitor the project.</li> <li>• There were 23 provincial project coordination meetings during the 4 years of active project implementation, which reviewed ongoing works and approved new works.</li> <li>• ADB SLRM participated in these meetings and conducted 10 independent review missions to project sites and found that works were being properly implemented.</li> <li>• Similarly other development partners carried out review missions to inspect facilities they were supporting.</li> <li>• The independent project audits were completed on time and generally indicate that funds were appropriately used, which led to cancellation of a few contracts.</li> <li>• SLRM conducted a detailed review through visits to 50 project sites in preparing the PCR.</li> </ul>
Risks and Assumptions	<ul style="list-style-type: none"> <li>• The government and the LTTE permit Project implementation without significant restriction.</li> <li>• People affected by the conflict, in particular those who have been relocated several times, are able to take advantage of the opportunities the Project will offer them.</li> <li>• The institutional capacity of the government agencies, non-government organizations (NGOs), and community-based organizations in the Project area will be adequate, with appropriate strengthening and</li> </ul>	<ul style="list-style-type: none"> <li>• Following the ceasefire agreement signed in August 2002, a more conducive environment for implementation of the project resulted.</li> <li>• The new facilities were open and available to all IDPs, regardless of cultural background.</li> <li>• The PMU had sufficient staff and resources to properly monitor the project.</li> <li>• In addition, the project trained thousands of IDPs, local government staff, and health personnel and recruited thousands of new teachers and health personnel.</li> <li>• Each district had healthy</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
	<p>training, to implement the Project.</p> <ul style="list-style-type: none"> <li>• For the Project's physical infrastructure activities, suitable contractors are available to undertake construction work in the generally difficult access and security conditions that exist.</li> </ul>	<p>competition in the bidding process with 30–60 contractors and suppliers vying for the more than 600 contracts under the projects.</p>
<p><b>C. Components and Outputs</b></p> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>• Improved health conditions in the North East by providing health facilities and training, and upgrading district hospitals</li> <li>• Decreased incidence of malaria, typhoid, and dysentery</li> </ul> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Educational facilities and opportunities for internally displaced people provided by upgrading selected schools and providing infrastructure facilities for the selected schools</li> <li>• Quality of education in North East improved</li> </ul> <p><b>Water supply and sanitation</b></p> <ul style="list-style-type: none"> <li>• Provided drinking water and sanitary facilities for IDPs as well as poor people in rural villages in North and East</li> </ul>	<ul style="list-style-type: none"> <li>• Improved major hospitals in Ampara, Batticaloa, Mannar, Trincomalee and Vavuniya districts.</li> <li>• Rehabilitated village health centers, rural hospitals, mobile clinics, doctors, nurses and support staff quarters.</li> <li>• Recruited and trained paramedical staff</li> <li>• Improved institutional and management of referral care services capacities.</li> <li>• Provided various vehicles and equipments</li> </ul> <ul style="list-style-type: none"> <li>• New and rehabilitated school buildings, along with water supply and toilet facilities.</li> <li>• Provided school furniture, textbooks and equipment for science labs</li> <li>• Recruited teachers</li> </ul> <ul style="list-style-type: none"> <li>• Implemented medium scale water supply systems in towns and villages</li> <li>• Built small scale water systems for resettled and</li> </ul>	<ul style="list-style-type: none"> <li>• 103 subprojects were completed including 9 district and 6 rural hospitals; 16 dispensaries; 1 primary care unit; 2 peripheral units; 17 health centers; and 26 blocks of quarters for nurses, midwives, and other support staff.</li> <li>• 600 midwives were trained.</li> <li>• Equipment including 20 ambulances, 26 trucks and vehicles, 15 tractors, and 3 generator sets.</li> <li>• Benefited more than 272,000 families.</li> <li>• Recorded improvements in public health, from PMU and government surveys</li> </ul> <ul style="list-style-type: none"> <li>• 219 of 224 proposed subprojects were completed, including 1,486 classrooms, 50 offices, 20 activity rooms, 1 student hostel, 11 teachers' quarters, 30 laboratories, 29 libraries, 19,410 student desk and chair sets, and 1,951 teachers desk and chair sets.</li> <li>• 273 male and 357 female toilets, 169 water systems</li> <li>• Benefited 179,000 students.</li> </ul> <ul style="list-style-type: none"> <li>• Constructed 12 subprojects including 4 town systems, 4 village systems, 117 rural water wells, and 827 latrines</li> <li>• Benefited more than 18,000</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
<p><b>Shelter and Community Development</b></p> <ul style="list-style-type: none"> <li>• Resettled and relocated IDPs in providing lands, basic infrastructure and community use facilities</li> <li>• Provide income generating opportunities</li> </ul> <p><b>Agriculture, livestock and Irrigation</b></p> <ul style="list-style-type: none"> <li>• Improved agricultural production and opportunities</li> </ul>	<p>relocated communities.</p> <ul style="list-style-type: none"> <li>• Provided sanitation facilities for resettled and relocated communities.</li> <li>• Trained community based organizations to operate and maintain the water systems.</li> </ul> <ul style="list-style-type: none"> <li>• 30,000 to 50,000 IDPs resettled/relocated</li> <li>• Provide basic infrastructure (water, roads, electricity) for resettled and relocated villages.</li> <li>• Provide vocational training</li> </ul> <ul style="list-style-type: none"> <li>• Improved selected irrigation schemes in Mannar and Vavuniya districts</li> <li>• Improve agricultural extension services</li> <li>• Provide training centers and training of farmers</li> <li>• Improve livestock extension services</li> </ul>	<p>families.</p> <ul style="list-style-type: none"> <li>• Completed 60 shelter subprojects.</li> <li>• Supported resettlement of about 40,000 IDPs, built 2,377 houses.</li> <li>• Completed 200 subprojects, and rehabilitated 317 kilometers (km) of village roads, helped 55 villages with development plans and basic infrastructure.</li> <li>• Implemented 18 subprojects to provide income through labor on the above works in all eight districts participating in the projects.</li> <li>• Provide vocational training for 502 men and 93 women, mostly youths.</li> <li>• Provide 509 tool kits to improve self-employment opportunities.</li> <li>• Funded upfront land clearing and other project-related works benefiting 109,000 families.</li> </ul> <ul style="list-style-type: none"> <li>• Completed 44 subprojects including rehabilitating and expanding 13 major irrigation schemes and 14 storage reservoirs.</li> <li>• Constructed 13 veterinary facilities, equipped 4 veterinary facilities, reconstructed 24 agrarian outreach facilities, strengthened 1 agricultural research station.</li> <li>• Constructed six extension offices and seven staff quarters.</li> <li>• Provided four tractors with plows, wagons, and other equipment.</li> <li>• Benefited more than 44,000 families</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
<p><b>Fisheries</b></p> <ul style="list-style-type: none"> <li>• Improved food sources and livelihoods through fish production</li> </ul> <p><b>Roads</b></p> <ul style="list-style-type: none"> <li>• Improved access roads to town centers</li> </ul>	<ul style="list-style-type: none"> <li>• Improved fish production</li> <li>• Improve rural roads in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Improved five anchor points and reconstructed a fish market in Jaffna district.</li> <li>• Reconstructed two fishery facilities in Mannar district.</li> <li>• Constructed 30 rest quarters for fishers.</li> <li>• Provided 144 outboard boat motors, 81 boats, and 310 sets of fishing nets.</li> <li>• Benefited 780 families</li> <li>• Rehabilitated 77 km of rural roads and 15 bridges, and supplied 2 ferries.</li> <li>• Benefited more than 57,000 families with better access.</li> </ul>
Monitoring Mechanisms	<ul style="list-style-type: none"> <li>• Government's progress reports</li> <li>• Project progress reports</li> <li>• Routine Project review missions</li> <li>• Agreement between the German Government and GTZ is finalized.</li> <li>• Agreement with UNHCR is finalized.</li> <li>• Agreements with NGOs are finalized.</li> </ul>	<ul style="list-style-type: none"> <li>• The National Project Coordination Committee met six times, and prepared comprehensive meeting notes on project progress.</li> <li>• The PPCC met 23 times, and prepared detailed minutes of meetings and list of participants.</li> <li>• ADB participated in all but three of the PPCC meetings and conducted 11 independent extensive review missions to the project areas.</li> <li>• The PMU prepared monthly progress reports.</li> <li>• The annual audits were completed on schedule and included detailed reviews of project progress and expenditures, and status of accounts.</li> <li>• Agreements with all the development partners were signed.</li> <li>• Agreements with participating NGOs and CBOs were negotiated and signed.</li> </ul>
Risks and Assumptions	<ul style="list-style-type: none"> <li>• Project Director appointed as scheduled, and has appropriate skills and experience</li> <li>• Civil works and supply contracts awarded without delay</li> </ul>	<ul style="list-style-type: none"> <li>• An experienced PMU director was appointed in August 2001.</li> <li>• The PMU was set up January 2002, before ADB's inception mission in mid-January.</li> <li>• The eight district PMUs were established by April 2002.</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
	<ul style="list-style-type: none"> <li>• Civil works and supply contractors have the ability to implement their contracts, and conditions in the Project area allow them to do so.</li> <li>• Consultants are appointed on schedule, and perform satisfactorily.</li> </ul>	<ul style="list-style-type: none"> <li>• The August 2002 ceasefire enabled free access to the project areas including many uncleared areas.</li> </ul>
<p>Inputs</p> <ul style="list-style-type: none"> <li>• Loan of \$25 million from ADB's Special Fund resources</li> <li>• Loan of \$4 million from the OPEC Fund for International Development</li> <li>• Grant of DM5 million from the German Government</li> <li>• Grant of \$0.5 million equivalent from the Netherlands Government.</li> <li>• Work and materials in kind from Project beneficiaries valued at about \$1 million equivalent</li> <li>• Counterpart financing of about \$7.0 million</li> </ul>	<ul style="list-style-type: none"> <li>• ADB loan approved by 31 October 2001 and effective by 30 November 2001</li> <li>• Agreement between the German Government and the Government finalized by 31 October 2001.</li> <li>• Agreement between the Netherlands Government and the Government finalized by 31 October 2001.</li> <li>• Government budgets for 2002-2006 provide for an average of \$1.4 million equivalent per annum as counterpart financing.</li> </ul>	<ul style="list-style-type: none"> <li>• Actual: ADB approved loan on 16 October 2001, effective by 9 February 2002</li> <li>• Agreement with Government of Germany and GTZ signed in 2001.</li> <li>• Agreement with Government of the Netherlands signed on 22 November 2002.</li> <li>• There were no delays in provision of counterpart funds.</li> </ul>
<p>Monitoring Mechanism</p>	<ul style="list-style-type: none"> <li>• Loan effectiveness conditions met</li> <li>• Agreements with German and Netherlands Governments, and UNHCR finalized</li> <li>• Government provides counterpart financing of the required amount in the 2002-2006 budgets.</li> </ul>	<ul style="list-style-type: none"> <li>• All as required.</li> </ul>
<p>Risks and Assumptions</p>	<ul style="list-style-type: none"> <li>• The Government will meet effectiveness conditions and comply with loan covenants.</li> <li>• The various agreements will be finalized as scheduled.</li> </ul>	<ul style="list-style-type: none"> <li>• All effectiveness conditions were met and all loan covenants were met.</li> </ul>
<p>Incremental Administration Cost</p> <ul style="list-style-type: none"> <li>• PMU Staff-\$0.4 million</li> <li>• Project Support-\$1.2 million</li> </ul>	<ul style="list-style-type: none"> <li>• Timely recruitment of qualified staff</li> <li>• Good performance of staff as monitored by the PMU head</li> </ul>	<ul style="list-style-type: none"> <li>• Selected by January 2002.</li> <li>• Project made use of existing government structure, line agencies, and staff.</li> <li>• CBOs and NGOs were hired to support the community development.</li> <li>• Actual budget used: \$1.23 million (equivalent).</li> </ul>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
<p>Consultancy</p> <p>PMU Support-\$0.3 million</p> <p>Anchor Subprojects-\$0.7 million</p> <p>Community Mobilization-\$0.5 million</p>	<ul style="list-style-type: none"> <li>• Timely recruitment of qualified consultants for specialized support activities</li> <li>• Delivery of services, specifications and drawings.</li> <li>• Support for evaluation of proposals</li> <li>• Quality control of works and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• GTZ consultants were recruited as a condition of loan effectiveness, so were in the field by mid-February 2002. They completed their assignment by 12 December 2004.</li> <li>• International consultants were recruited by GTZ to support development of project implementation manuals for community works, standards reporting formats, and development of MIS.</li> </ul>
<p><b>Project Activities:</b></p> <p><b>General milestones:</b></p> <ol style="list-style-type: none"> <li>1. Establishment of the project management unit</li> <li>2. Selection and recruitment of consultants</li> <li>3. Survey, designs, preparation of bidding documents</li> </ol>		<p>January 2009</p> <p>By mid-February 2002.</p> <p>Initiated by August 2002 through August 2006.</p>
<p><b>Health</b></p> <p>Survey, designs, preparation of bidding documents</p> <p>Contracts in Place</p> <p>Construction completed</p> <p>Training Programs</p> <p>Recruitment of staff</p>		<p>Initiated in August 2002,</p> <p>102 contracts for civil works, equipment and services issued</p> <p>Construction completed by the end of 2006.</p> <p>Trained 600 midwives.</p> <p>Recruited 600 staff (midwives, nurses, support).</p>
<p><b>Education</b></p> <p>Survey, designs, preparation of bidding documents</p> <p>Contracts in Place</p> <p>Construction completed</p> <p>Recruitment of staff</p>		<p>Initiated in August 2002.</p> <p>219 contracts for civil works, equipment and services issued.</p> <p>Construction completed by the end of 2006.</p> <p>Recruited 195 teachers.</p>
<p><b>Water supply/Sanitation</b></p> <p>Survey, designs, preparation of</p>		<p>Initiated in August 2002.</p>

Design Summary	Performance Targets and Indicators in Original Design	Achievements
bidding documents Contracts in Place Construction completed Training/Recruitment		12 contracts for civil works, equipment and services issued. Construction completed by the end of 2006. Trained CBOs to operate and maintain the water systems.
<b>Shelter/Community Development</b> Survey, designs, preparation of bidding documents Contracts in Place Construction completed Training/Recruitment		Initiated in August 2002. 60 contracts for civil works, equipment and services issued. Construction completed by the end of 2006. Hired about 2,400 resettled persons to work on land clearing, housing, and roads. Provided vocational and skilled labor training to about 600 persons (plumbers, electricians, carpenters).
<b>Agriculture and Irrigation</b> Survey, designs, preparation of bidding documents Contracts in Place Construction completed Training/Recruitment		Initiated in August 2002. 44 contracts for civil works, equipment and services issued. Construction completed by the end of 2006.
<b>Roads</b> Survey, designs, preparation of bidding documents Contracts in Place Construction completed		Initiated in August 2002. 33 contracts for civil works, equipment and services issued. Construction completed by the end of 2006.

ADB = Asian Development Bank, CBOs, Community Based Organizations, GTZ = Deutsche.Gesellschaft.für.Technische.Zusammenarbeit, IDPs = Internally Displace People, km = kilometers, NECORD = North East Community Restoration and Development Project, NGOs = non-government organizations, PMU = Project Management Unit, PPCC = Provincial Project Coordinating Committee, SLRM = Sri Lanka Resident Mission.

## PROJECT OUTPUTS

### A. Health

1. The health component envisaged at appraisal included rebuilding of district hospitals including basic services (living quarters, water supply, sanitation, incinerators) and equipment, village health centers and clinics (private or cooperative), and a program to recruit and train medical personnel—doctors, midwives, paramedics, and nurses. The original budget in the Report and Recommendation of the President<sup>1</sup> (RRP) for construction was \$5 million; the actual disbursement was \$7 million. The project completed 102 contracts for 62 hospitals,<sup>2</sup> including 1 general hospital in Kilinochchi, 7 district hospitals (4 in Ampara, 2 in Jaffna, and 1 in Mannar), and 1 divisional hospital in Trincomalee, as well as 6 rural hospitals. In support of these hospitals, 1 primary care unit, 2 peripheral units, 16 dispensaries, 17 health centers, and 26 blocks of staff quarters were constructed under the project. These included the related furniture and basic equipment. The project also provided 20 ambulances, 26 trucks, and 15 tractors for operation and maintenance, and 3 emergency generator sets. Training of 640 midwives who were deployed to the district hospitals and clinics was also arranged under the project.

2. Based on local government and project management unit (PMU) records, more than 272,700 families benefited from the health sector works. The restored, improved, and expanded health services benefit host families, resettled families, and internally displaced persons (IDPs) equally, regardless of cultural or religious background. The project completion review mission visited 3 district hospitals and 3 health clinics out of 62 health-related subprojects across the 8 districts and found that the facilities provided under the project had been properly planned, constructed, and put into operation by the health departments. While there had been some delay in posting doctors to the rural health clinics,<sup>3</sup> the mission met six such doctors. Before the doctors came, the smaller hospitals and clinics were operated by nurses and midwives. Under the project, buildings including a number of maternity wards and staff quarters (needed in rural areas to attract and keep staff) were restored or constructed, and all related furniture and laboratory facilities, water supply and toilets, ambulances, and other equipment, including standby generators for the larger hospitals with operating theaters, was provided. The project completion review mission also visited a senior citizen center in Jaffna which was supported under the project—the building was restored and a vehicle provided. The home has 210 elderly poor residents, many abandoned by their families or suffering from mental illness. The buildings and equipment met specifications, as confirmed by the records of the PMU's full-time on-site inspectors, were of good quality, and were being maintained as noted by the project completion review mission. The project objectives and scope for the health sector were achieved.

### B. Education

3. The education component focused on providing educational facilities and supporting immediate restoration of the previously existing education services in the conflict areas. The objective was to support the ongoing works of the government and other aid agencies in using better education as a means for conflict resolution among the diverse communities being

<sup>1</sup> ADB. 2001. *Report and Recommendation of the President: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the North East Community Restoration and Development Project*. Manila (Loan 1846-SRI)

<sup>2</sup> The works at larger hospitals included multiple contracts.

<sup>3</sup> Newly graduated doctors have been posted to the rural areas in the Northern and Eastern provinces, after a delay caused by their reluctance to locate to the conflict areas.

combined in resettlement communities and host villages. The Asian Development Bank (ADB)<sup>4</sup> and the World Bank already had ongoing education loans focusing on the longer-term development and improvement of education throughout the country. At appraisal it was expected that the physical works would include restoring, expanding, and improving existing schools, with focus on relocated and resettled communities as well as on host villages. The new buildings replaced the temporary sheds and open areas under trees often used as classrooms. The works included constructing teachers' quarters in the more remote and rural areas to improve recruitment and retention of teachers. The restored schools include water supply and sanitation and toilets. A key component was providing furniture and educational materials including textbooks.

4. Concurrent with construction of the new facilities, under the project training programs were given to students in basic hygiene and sanitation, support was given to vocational training for interested youths in coordination with the education authorities and the two ongoing loan projects, and the government completed a program of recruiting teachers to the conflict areas once the new facilities were completed. This focused on Tamil-medium<sup>5</sup> teachers, of which there was a 25% deficit in the project area, with more than 5,600 vacancies. The budget included in the RRP for the education component was \$5.0 million; the actual disbursement was \$6.4 million. The physical works completed under the project included 219 contracts for 198 schools, which constructed 1,486 new classrooms, 50 offices, 20 activity rooms, 1 student hostel, 11 sets of teachers' quarters, 30 fully equipped science laboratories, 19,410 student and 1,950 teacher desks and chairs, water supply, and 357 female and 237 male latrines and washrooms. The project also supported the education department in recruiting 1,950 Tamil-medium teachers, about a third of the vacancies<sup>6</sup> in the project areas. The education component benefited an estimated 179,000 students and teachers and their families.

5. The project completion review mission visited 11 schools, with more than 7,000 students from grades 1 through 11, with the larger schools also providing grades 12 and 13 (A levels), and found them all to be well built and well maintained. In Sri Lanka, parent societies help with the operation and maintenance costs of public schools including electricity, repairs, and keeping the school facilities clean. There were few teacher vacancies and the principals all reported a high degree of satisfaction with the new facilities. In many cases the new school buildings enabled students to sit in a proper classroom with desks and books for the first time; prior to the ADB project they had been taught under a tree in the schoolyard or sat in a severely conflict-damaged building. The new buildings met the government Building Department's specifications. All the schools included stocked libraries, science laboratories, computer training facilities, water supply, and toilets. The schools taught in Tamil medium, though some of the larger ones also provided English medium for some classes. Most of the principals reported that they had 5–10 of their 2008 A level students (equal numbers male and female) enter university.

6. Most of the schools are in poor and low-income rural areas, and lunches are provided. The smaller schools had both girls and boys sharing classes, while the larger schools were separated. In many of the schools, girls comprised more than 60% of the students, though in the poorer areas this ratio was reversed. Most of the students were able to continue into the higher grades. Most principals reported that attendance was good, with few missed days, and that the

<sup>4</sup> ADB. 2000. *Report and Recommendation of the President: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Secondary Education Modernization Project*, Manila. (Loan 1756-SRI (SF), approved for \$50 million on 12 September 2000).

<sup>5</sup> Tamil medium is also used by the public schools in Muslim communities.

<sup>6</sup> Since the North East Community Restoration and Development (NECORD) project was completed, the government has been able to fill most teacher vacancies.

students met the requirements for advancement. However, in the worst-affected conflict areas, some students had missed a lot of time and were not able to keep up with the curriculum. Many also had to help out at home some days as they came from single-parent households, often headed by poor women. The schools were therefore grateful for the textbooks provided under the project. Many principals indicated that they provided pencils and work books to the poor students. Some of the older boys were expected to enter their father's trade, usually farming or fishing, by the time they entered high school. However, there is no doubt that education was an urgent priority in all the areas, and the local residents were grateful for the new classrooms and good facilities. All the principals met with reported that their student enrollment increased greatly from 2003 through 2005, doubling or tripling, and that there were regularly new students registering as IDPs returned. The objectives and scope envisaged at appraisal were achieved for this component.

### **C. Water Supply and Sanitation**

7. The water supply and sanitation component included restoring, rehabilitating, and improving water supply and sanitation facilities for smaller towns, resettlement communities, and host villages in the conflict areas. It also included the water supply and sanitation components for the schools, hospitals, health clinics, agrarian centers, and staff quarters. These were simple systems mainly using tube wells for supply to the piped water systems and dug wells for the small communities and rural schools and clinics. The component included training and capacity building of local community-based organizations (CBOs) to help build the community systems to then take on responsibility for operation and maintenance of the systems upon completion.

8. The budget in the RRP was \$5.0 million; the actual utilization under this component was \$0.7 million. The works were constructed through 12 subprojects covering 4 town and 4 village piped systems and 117 community systems and 827 latrines. The component directly benefited an estimated 18,700 families and the objectives and scope were achieved. The project completion review mission visited three piped water systems, operated by the national Water and Sewerage Board, including one in a Muslim village in Mannar district. The water supply systems consisted of tube wells with pumps, elevated storage reservoirs, supply mains, and distribution system piping with service connections and system and house connection meters. In two of the new systems the elevated storage reservoirs had been deliberately destroyed during the conflict, causing major hardships to the local communities as the water had to be tanked for several years before the new facilities were constructed under the project. The local residents informed the project completion review mission that they were very pleased with the new systems. However, they did wish for longer hours of service as all three systems provided water for only a couple of hours in the morning and again in the evening. However, there is limited water available from the shallow freshwater lenses in the coastal areas. The quality of the work of the water systems was good and the systems were being maintained. The objectives and scope were achieved.

### **D. Shelter**

9. The RRP defined shelter requirements as provision of permanent accommodation for IDPs returning to their original places of residence, whether from living with relatives or friends, or from temporary relocation camps, or for returnees from outside the country.<sup>7</sup> The project's shelter component supported the government's resettlement program, as long as ADB's

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<sup>7</sup> Many of the IDPs had fled to India.

requirements and guidelines for resettlement were met. Returnees received cash grants to help them cope with resettlement and return to a normal life.<sup>8</sup> The component also included a program to maximize the involvement of the beneficiaries in the design and construction of their relocation areas, including payment for their labor as a short-term income-generation activity. Under the project, the original funding included grants for materials for IDPs to build their own houses. Over the project period the original allotment of SLRs50,000 (\$400) was increased as the 2002 ceasefire resulted in many IDPs returning to their homes, leading to major increases in the price of materials and labor. Housing allotments were increased gradually over the 5-year project period to SLRs250,000 (\$2,500) during the latter part of the project. All beneficiaries received the same amount regardless of their economic circumstances. The shelter program included the related utilities (roads, water supply, sanitation, and electrification).

10. The budget for this component in the RRP was \$4.0 million; the actual disbursement was \$2.5 million. The actual output under the shelter component included support for resettlement of about 40,000 IDPs, and included 2,377 houses and 317 kilometers (km) of village roads, and provided 55 villages across the eight districts with support for development planning and basic infrastructure. Water supply was provided under the water supply and sanitation component. However, since the shelter program was focused on the more remote rural areas with poor and low-income beneficiaries, several houses shared a dug well or public standpipe. Many of the beneficiaries were single women widowed by the conflict.

11. The project completion review mission visited five shelter programs and found all of the new houses constructed under the project occupied by the original residents. The original budget set for the houses was based on the cost of material for a basic 500 square foot (46.45 square meters) three-roomed house, using concrete building blocks with wooden doors and windows and tiled roof. The poorer beneficiaries were laborers or, in the case of households headed by single women, small entrepreneurs making tatami mats or growing vegetables or livestock. Based on the project completion review mission's discussions with beneficiaries, the village committee had chosen the recipients of the shelter funds fairly. Some residents are extending their houses and adding finishing touches as their economic situation improves, or if they have a family member working overseas. The houses provided under the shelter component were located amongst the general population, not segregated or otherwise separate. Most of the houses were built in 2003 and 2004 when many IDPs returned. In some villages they were then forced to flee again when hostilities resumed in 2006, but most are now back trying to rebuild their lives. The project completion review mission found that the quality of the work was generally good, with varying degrees of finishing, based on the economic circumstances of the owners. The beneficiaries were proud of their houses and were keen to show off their work. They all expressed gratitude for the program and the related opportunities created under the closely linked community development programs. The objectives and scope were achieved, as 2,523 families were resettled into their own houses.

## **E. Community Development**

12. The community development component was closely aligned with the shelter component. The main aspects were (i) providing basic community and village infrastructure, roads, water, sanitation, and power; (ii) short-term income restoration through labor to construct the basic utilities and services attached to the shelter, schools, community development, and agricultural irrigation works; and (iii) longer-term income activities including vocational training. An important

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<sup>8</sup> These were provided through the World Bank's Unified Assistance Scheme. Under the scheme each family received a cash grant SLRs25,000 on return to the original place of return.

adjunct to this component was the support the project provided to the women's rural development societies (WRDSs) active in each village. The budget for this component was \$6 million; the actual disbursements were \$4 million. The output included (i) 58 community subprojects for basic services and facilities, 21 subprojects for doing upfront work for new resettlement villages, land clearing, roads and paths, and electrification for 74 villages; (ii) 18 subprojects of labor to construct and install the facilities in (i); and (iii) vocational training for 502 men and 93 women in skilled trades such as plumbing, carpentry, electrical installation and repair, masonry, and auto mechanics. The project also provided 509 tool kits for the graduates to get them started in self-employment. In addition, 58 WRDSs with more than 5,000 women members were supported.

13. The project completion review mission visited a number of community development subprojects along the way when driving to look at the anchor projects. These works were implemented through a number of existing community development organizations and societies more or less active in all villages and communities including the WRDSs, rural development, school development, multipurpose cooperatives, fishers' cooperatives, farmers' organizations and Samudhi (a poverty alleviation program). All of these societies have to be registered to receive funding. Through ADB intervention, the government agreed to use project funds to support in particular the WRDSs. The WRDSs are a normal function within the provincial Ministry of Social Services, to promote micro credit and savings and loans societies and generally support women in developing their own enterprises. However, during the prolonged conflict, most of these societies were disrupted and disbanded as families fled from the conflict, many several times. The project afforded an opportunity to restart these groups. Loans were made to local societies, usually in the range of \$10,000 equivalent, with the understanding that these had to be repaid. The project's local district PMU's community development field officer provided development of awareness, advice, and support to the women's groups. The mission met with three such representative women's groups, including one in a Muslim community, and found excellent results.

14. The WRDS membership ranged from 30 to 100 members, depending on the size of the village or community. The women in these groups repaid their initial cash infusion and have saved substantial additional funds—in the range of SLRs1.3 million to SLRs1.5 million (\$12,000 to \$14,000). Furthermore, these groups helped a number of poorer members with improving their houses, and restored or built new community meeting halls, which also serve as training centers and workshops for income-generating activities such as sewing of garments, growing and drying of cashews, livestock, and other small enterprises. The women indicated that, in addition to the substantial economic benefits they derive from their groups,<sup>9</sup> a major benefit was the improved confidence they have and their enhanced status and empowerment within their families and their communities. They all expressed gratitude to the project completion review mission and the PMUs for their support. The objectives and scope under this project were achieved, as more than 109,000 families benefited from participating in the short-term labor activities during construction of the physical community works, and more than 35,000 families are benefiting from the ongoing economic activities of the various societies assisted under the project.

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<sup>9</sup> They lend funds to their members at 1.5% for 6 months, a fraction of what a moneylender or a commercial bank would charge.

## F. Agriculture and Fisheries

15. The RRP indicated that the agricultural and fisheries component should generally focus on improving livelihoods through improving basic services and infrastructure. The detailed work program was to be developed during project implementation based on extensive discussions with the communities, farmers, NGOs, and government agencies. The main works included restoring irrigation systems and agrarian and agricultural extension service centers and training centers. There was also a livestock component linked to the community development program. The fisheries subcomponent would help develop inland fisheries in Vavuniya district through local community mobilization. It would also help develop and restore the coastal fisheries damaged or closed during the conflict. Works included constructing small craft anchorages, ice plants, and housing and facilities for displaced fishing communities in Ampara, Batticaloa, and Manna districts.

16. The budget for this component in the RRP was \$1.5 million; the actual disbursement was \$1.5 million. The activities under this component included 44 subprojects. In the agriculture sector it rehabilitated and restored 13 major irrigation systems including 14 storage reservoirs, 13 veterinary facilities (4 with equipment), 21 agrarian outreach centers, and 1 agricultural research station. Equipment for the agrarian centers included four tractors with plows and wagons, six extension offices, and seven blocks of staff quarters. Under the fisheries sector it constructed 5 anchor points and 1 fish market in Jaffna, 2 fishery facilities in Mannar including 30 quarters for the poorest fishers, and provided 144 new outboard motors, 81 fishing boats, and 310 sets of fishing nets. An estimated 44,000 families benefited from the various agricultural works and 780 fishing families from the fisheries component.

17. The project completion review mission visited a number of restored irrigation reservoirs, commonly known as tanks. Many thousands of hectares of former rice paddy have lain dormant for many years, some since 1983 when farmers first began to flee the conflict. Some of the reservoir bunds were deliberately bombed and drained while others suffered from decades of neglect. Similarly, many of the irrigation canals, ditches, and trenches had fallen into disrepair. As IDPs returned to their farms and land in 2003–2005, there was urgent need to provide water for irrigation. The mission also visited six agricultural extension and agrarian centers, restored and improved under the project, which serve to provide training in new seeds, fertilizers, and other modern practices to returning farmers. Some of these returning farmers have not farmed for many years, nor have their sons learnt farming, as many of them grew up in camps, and they are consequently in need of assistance to get started again. The agrarian centers also provide a basic amount of seed and fertilizer for free to poor farmers. Some of the agrarian centers have tractors with disc plows which farmers can rent to prepare their land for seeding and also harvesters for reaping the crop. Due to the lack of land under cultivation, the farmers get a good price for their rice, in particular. There is also a growing market for cash crops and vegetables as the urban centers grow.

18. The project completion review mission visited two fish markets constructed under the project. These are to help poor or small-scale fishers with marketing their fresh fish. There was a ban on fishing in the coastal areas due to security reasons, but this has been lifted and the fishers are finally able to use the new boats and equipment provided under the project. The objectives and scope of this component were met.

## **G. Roads**

19. Provincial and district roads, and access roads to the existing communities, had deteriorated due to long-term neglect during the conflict and needed rehabilitation. There were dozens of communities for the returning and resettled IDPs which needed new internal roads and many host villages required road widening and improvement to enable all-weather access. However, due to the uncertain and fluid nature of the impact of the conflict, it was thought that roads would be a difficult component to implement and there was no specific budget allocated for such works in the RRP. However, following the 2002 ceasefire, one of the key requirements of the community was road improvements, and so a substantial component was developed in consultation with the ADB Sri Lanka Resident Mission. As a result, 77 km of rural roads including 15 bridges were rehabilitated, improved, and widened, and two ferries were supplied. The actual expenditure was \$2.73 million. An estimated 57,300 families benefited from improved access and the scope and objectives were achieved.

20. The project completion review mission drove on a number of these roads and confirmed that the constructed quality was good, that specifications were met, and that there was need or strong demand for better access. Virtually all roads in the Northern and Eastern provinces require upgrade or resurfacing. While the NECORD Project focused on rural, village, and community roads, subsequent road loans from ADB, and the Government of France and others are now being implemented. The objectives and scope under this component were achieved.

## ALLOCATION, CONTRACTS, AND DISBURSEMENTS

Table A2.1: Summary by Sector

Sector	Approved by PPCC		Approved by ADB		Tenders Called	Tenders Awarded		No of Completed Projects
	No	Cost (\$ m)	No.	Cost (\$ m)	No.	No.	Contract amount (\$ m)	
1 Agriculture	43	1.66	43	1.47	43	43	1.31	41
2 Education	224	8.24	224	8.07	224	224	8.21	220
3 Health	105	7.60	105	7.53	105	105	8.66	101
4 Shelter	31	2.75	31	2.74	31	31	2.75	31
5 Water Supply and Sanitation	13	0.93	13	0.82	13	13	0.90	12
6 Roads and Bridges	34	2.20	34	2.56	34	34	2.73	33
7 Fisheries	14	0.59	14	0.59	14	14	0.62	12
8 Social Welfare	28	2.37	28	2.33	28	28	2.28	28
9 Livestock	9	0.48	9	0.48	9	9	0.49	9
10 Institutional Development	6	0.32	6	0.33	6	6	0.40	6
11 Irrigation	21	3.03	21	3.24	21	21	3.33	21
12 Vocational Training	1	0.41	1	0.41	1	1	0.41	1
13 Up-front	21	3.66	21	3.69	21	21	3.64	21
14 Infrastructure Development	2	0.02	2	0.02	2	2	0.02	2
15 Community Development	58	4.20	58	4.30	58	58	4.30	58
16 Consultancy services		1.40		1.40			1.40	
17 Incremental		1.89		1.89			1.89	
<b>Total</b>	<b>610</b>	<b>41.74</b>	<b>610</b>	<b>41.87</b>	<b>610</b>	<b>610</b>	<b>43.35</b>	<b>596</b>

ADB = Asian Development Bank, No. = number, PPCC = Provincial Project Coordinating Committee.

**Table A2.2: Summary by District**

District	Approved by PPCC		Approved by ADB		Tenders Called	Tenders Awarded		No. of Projects Completed	No. of Projects Terminated	No. of Projects Abandoned (Tsunami)
	No.	Amt. (\$ m)	No.	Amt. (\$ m)	No.	No.	Amt. (\$ m)			
1 Jaffna	62	4.65	62	4.90	62	62	4.93	61	1	0
2 Kilinochchi	56	6.87	56	6.79	56	56	8.06	55	1	0
3 Mullaitivu	70	3.59	70	3.74	70	70	3.81	68	1	1
4 Mannar	73	4.99	73	4.76	73	73	4.84	73	0	0
5 Vavuniya	74	4.14	74	4.06	74	74	4.11	74	0	0
6 Trincomalee	93	4.05	93	4.21	93	93	3.96	88	3	0
7 Batticaloa	81	5.13	81	5.07	81	81	5.23	81	0	0
8 Ampara	95	4.17	95	4.21	95	95	4.31	90	3	4
9 NEP	6	2.25	6	2.25	6	6	2.20	6	0	0
Incremental		1.89		1.89			1.89			
<b>Total</b>	<b>610</b>	<b>41.74</b>	<b>610</b>	<b>41.87</b>	<b>610</b>	<b>610</b>	<b>43.35</b>	<b>596</b>	<b>9</b>	<b>5</b>

ADB = Asian Development Bank, No. = number, NEP = Northern and Eastern Province, PPCC = Provincial Project Coordinating Committee.

## PROJECT COSTS AND FINANCING PLAN

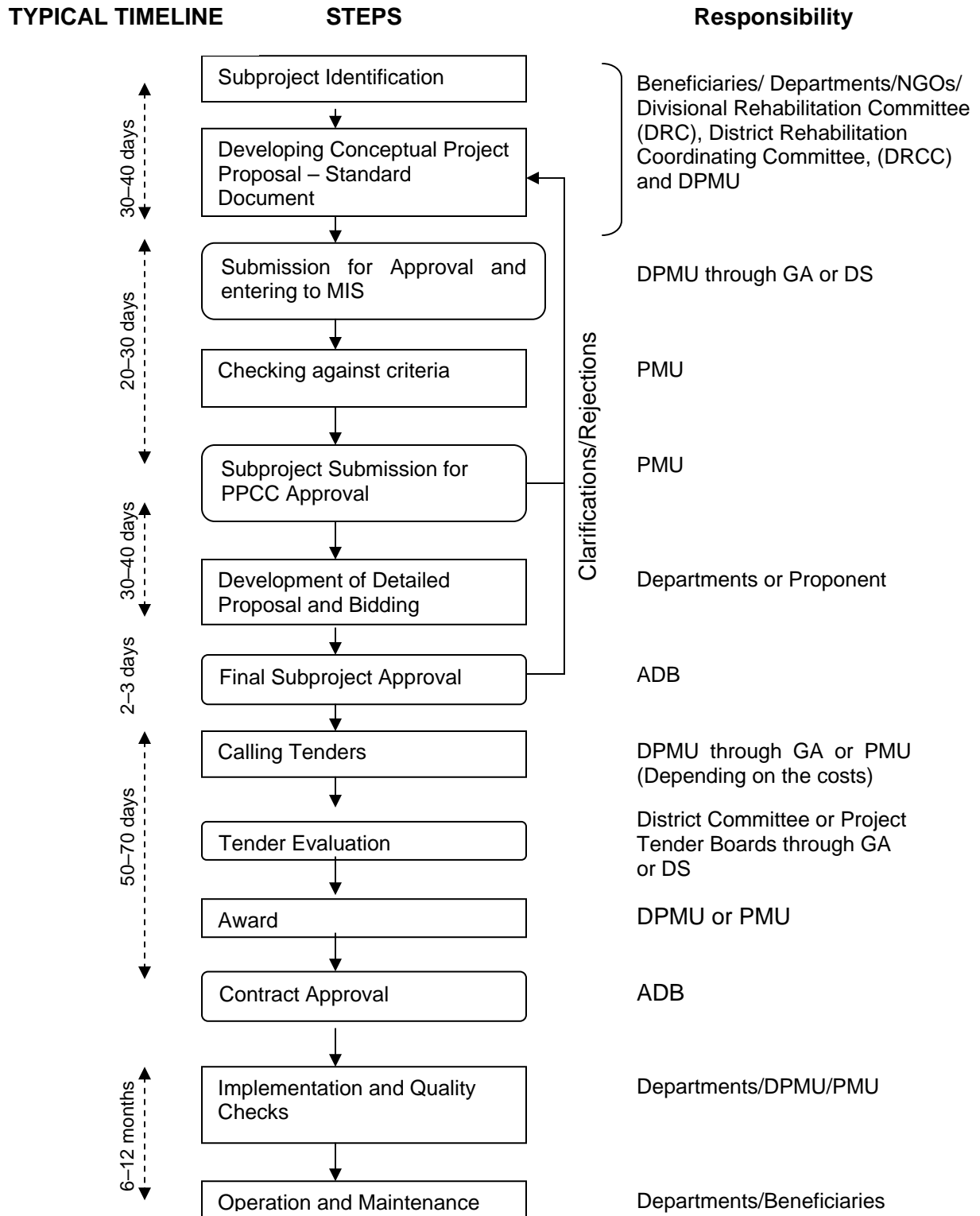
Table A3.1: Project Costs by Category  
(\$ million)

Item	Appraisal Estimate			Actual		
	Foreign Currency	Local Currency	Total	Foreign Currency	Local Currency	Total
<b>I. ADB and Government Component</b>						
1 Land and Relocation Allowances	0.0	0.5	<b>0.5</b>	0.0	0.0	<b>0.0</b>
2 Project Works						
a. Anchor Subprojects	6.2	18.2	<b>24.4</b>	6.3	23.4	<b>29.6</b>
Health	2.0	3.0	<b>5.0</b>	1.3	5.7	<b>7.0</b>
Water Supply and Sanitation	1.5	3.5	<b>5.0</b>	0.1	0.5	<b>0.7</b>
Education	1.0	4.0	<b>5.0</b>	1.4	5.0	<b>6.4</b>
Shelter	0.5	3.5	<b>4.0</b>	0.6	2.0	<b>2.5</b>
Agriculture and Fisheries	0.5	1.0	<b>1.5</b>	0.3	1.2	<b>1.5</b>
Others/Unallocated	0.7	3.2	<b>3.9</b>	2.6	9.0	<b>11.6</b>
b. Community Subprojects	1.0	5.0	<b>6.0</b>	1.0	3.0	<b>4.0</b>
3 Equipment and Materials	1.5	0.7	<b>2.2</b>	0.7	2.5	<b>3.2</b>
4 Incremental Expenditure	0.4	1.1	<b>1.5</b>	0.2	2.3	<b>2.6</b>
a. PMU Staff	0.0	0.3	<b>0.3</b>			
b. Project Support	0.4	0.8	<b>1.2</b>			
5 Consulting Services	0.3	1.3	<b>1.6</b>	0.1	1.2	<b>1.2</b>
<b>Subtotal</b>	<b>9.4</b>	<b>26.7</b>	<b>36.1</b>	<b>8.3</b>	<b>32.4</b>	<b>40.6</b>
<b>Interest charges</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>	<b>0.7</b>		<b>0.7</b>
<b>Total ADB and Government Component</b>	<b>10.3</b>	<b>26.7</b>	<b>37.0</b>	<b>9.0</b>	<b>32.4</b>	<b>41.3</b>
<b>II. GTZ Management Services</b>	<b>2.0</b>	<b>0.5</b>	<b>2.5</b>	<b>2.0</b>	<b>0.5</b>	<b>2.5</b>
<b>III. Project Support Component</b>	<b>0.4</b>	<b>0.1</b>	<b>0.5</b>	<b>0.8</b>	-	<b>0.8</b>
<b>Total Project Cost</b>	<b>12.7</b>	<b>27.3</b>	<b>40.0</b>	<b>12.3</b>	<b>32.4</b>	<b>44.6</b>

ADB = Asian Development Bank, PMU = project management unit.

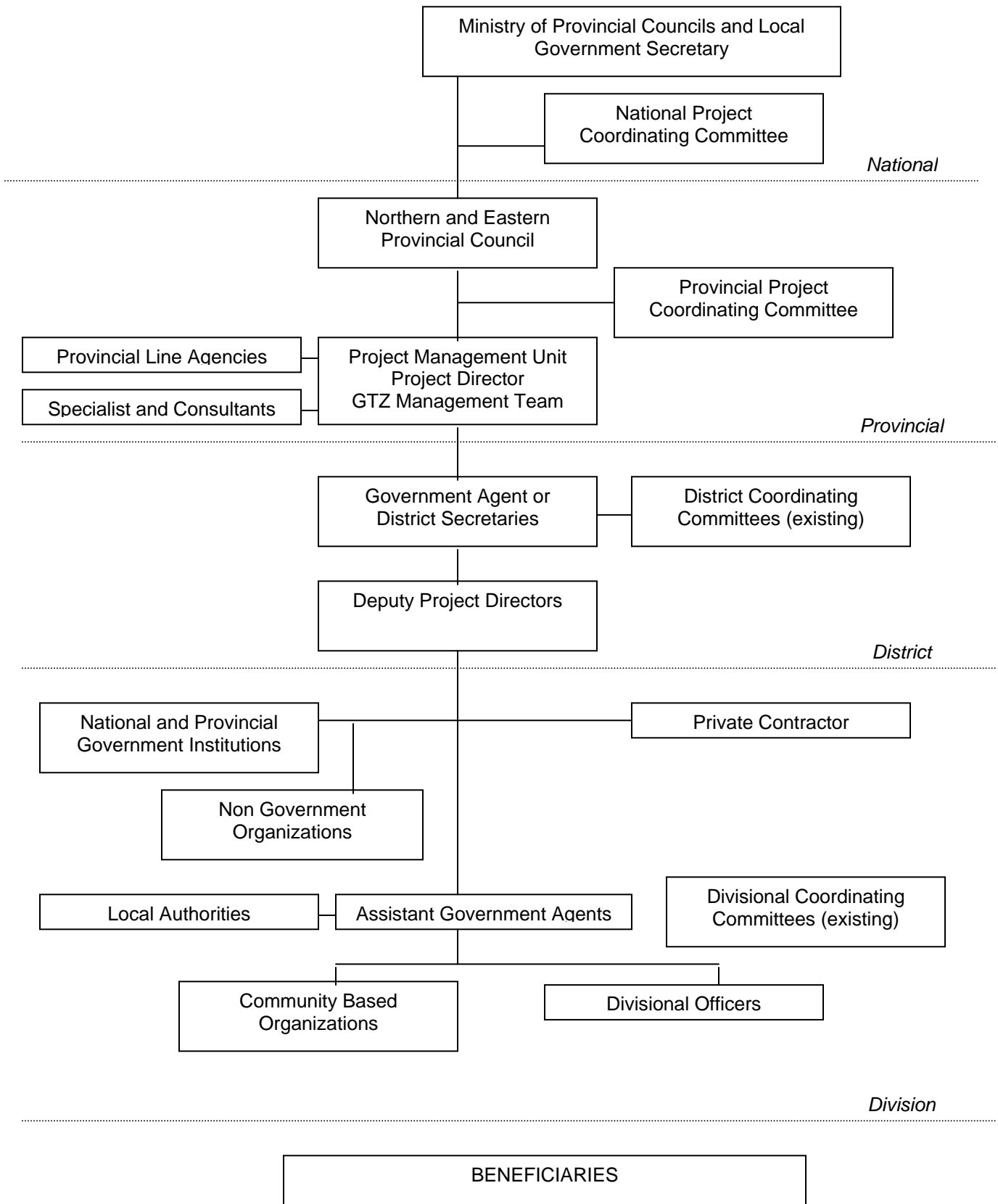
Includes funding from cofinancing development partners

### SUBPROJECT APPROVAL PROCESS



ADB = Asian Development Bank, DPMU = District Project Management Unit, DS = District Secretary, GA = Government Agent, MIS = Management Information System, NGO = Non Governmental Organization, PPCC = Provincial Project Coordinating Committee, PMU= Project Management Unit

### SUMMARY OF PROJECT ORGANIZATION



GTZ= Deutsche.Gesellschaft.für.Technische.Zusammenarbeit; NGO=nongovernment organization

### STATUS OF MAJOR LOAN COVENANTS

Sector	Remarks / Issue
<p>Section 4.01.</p> <p>(a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, and community restoration and development practices.</p> <p>(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.</p>	Covenant fully met.
<p>Section 4.02.</p> <p>The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the . ' proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.</p>	Funds were provided promptly and the covenant fully met.
<p>Section 4.03.</p> <p>(a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.</p> <p>(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards; specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.</p>	Borrower employed qualified consultants and contractors throughout to complete the subprojects.
<p>Section 4.04.</p> <p>The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.</p>	Subprojects were proposed and implemented by the departments and agencies. This includes design and supervision of the facilities.
<p>Section 4.05.</p> <p>(a) The Borrower shall make arrangements satisfactory to the Bank for insurance of the Project facilities to such extent and against</p>	Insurances were taken for the facilities.

Sector	Remarks / Issue
<p>such risks and in such amounts as shall be consistent with sound practice.</p> <p>(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.</p>	
<p>Section 4.06.</p> <p>(a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods, services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.</p> <p>(b) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to the Bank; (iii) furnish to the Bank, as soon as available but in any event not later than 12 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language; and (iv) furnish to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.</p> <p>(c) The Borrower shall enable the Bank, upon</p>	<p>Covenant fully met. Separate accounts were maintained and audited annually satisfactory to ADB.</p>

Sector	Remarks / Issue
<p>the Bank's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.</p>	
<p>Section 4.07.</p> <p>(a) The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the ,goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.</p> <p>(b) Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to the Bank monthly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall reasonably request.</p> <p>(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.</p>	<p>Project developed an MIS system to monitor implementation of the subprojects. Monthly, quarterly, and annual reports were produced by the PMU and distributed among the various agencies. Also the information was uploaded to the project website (<a href="http://www.necord.org">www.necord.org</a>) for public access. Project completion report submitted to ADB.</p>

<b>Sector</b>	<b>Remarks / Issue</b>
<p>Section 4.08. The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.</p>	Fully met.
<p>Section 4.09. The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, and maintenance and operational practices.</p>	Fully met. However, systemic budget allocation for operation and maintenance will improve the sustainability.
<p>Section 4.10. (a) It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect. (b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date. (c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including the Central Bank of Sri Lanka and any other institution performing the functions of a central bank for the Borrower.</p>	Fully met.

Sector	Remarks / Issue
<b>Sector Covenants</b>	
Sub-projects should be selected on the basis of the criteria specified in Loan Agreement Schedule 6, item 8.	All subjects were selected according to the criteria.
PMU shall prepare sub-project proposals in a format to be agreed upon between the EA and the Bank during the project inception period.(LA Schedule 6,Para 9 )	All subprojects were prepared according to the format and circulated 14 days prior to the PPCC meeting.
The Borrower shall ensure that shortfall of teachers in the project area will be addressed and that teachers will be available when required for schools that are rehabilitated or improved by the project.(LA Schedule 6,Para 13 )	1,000 graduate teachers have been appointed and 909 volunteer teachers' appointments have been made permanent. Cabinet approved for the appointment of 1,000 Advanced Level teachers and action is being taken to recruit them by the Education Service Commission.
The Borrower shall review the causes for the high vacancy levels among the paramedic personnel in the project area and develop an approach to reducing such vacancy levels.(LA Schedule 6,Para 12 )	The Cabinet has approved lowering the qualification for the selection of midwives, .i.e., from GCE A Level to GCE O Level. The provincial Ministry of Health and Indigenous Medicine has made arrangement to call for applications.
<b>Environmental</b>	
The Government shall ensure that the adequate environmental mitigations measures are incorporated into subprojects designs and implementation (LA Schedule 6, Para 15)	All subprojects were reviewed by the SLRM.
<b>Social</b>	
The Borrower shall ensure that any land acquisition and involuntary resettlement required for sub-projects implementation shall be carried out in accordance with the Bank policy on Involuntary Resettlement. (LA Schedule 6, Para 16)	No land acquisition and involuntary resettlement under the project.
The Borrower shall ensure that community based organizations charged with operating and maintaining facilities provided under the Part B of the project are provided with the support and training required to undertake these activities. (LA Schedule 6, Para 17)	60 community development subprojects completed in all districts.
<b>Economic</b>	
PMU, with substantial inputs of the GTZ Team, shall develop and implement the monitoring and evaluation system ( LA Schedule 6, Para 10)	MIS system was developed, and data entered regularly. Reports were used in decision making.

Sector	Remarks / Issue
<b>Others</b>	
Established, Staffed, and Operating PMU/PIU Establishment of PMO and appointment of project staff (LA Schedule 6 ,Para 5)	PMU was established at Trincomalee with all key staff. PIUs have been established in eight districts.
Fielding of Consultants Fielding of consultants (LA Schedule 5 )	GTZ consultants were fielded in October 2001.  Supervision and design consultants were appointed and assignment completed.
In the case of contracts subject to prior review, before granting an extension of the stipulated time for performance of a contract, agreeing to any modification or waiver of the conditions of such contract, including issuing any change order or orders under such contract which would in aggregate increase the original amount of the contract by more than 15% of the original price, the borrower shall seek ADB's prior no objection to the proposed extension, modification, or change order prior to signing of contracts .	PMU obtained approval before affecting any of the activities mentioned in the covenant.

ADB = Asian Development Bank, CBOs = Community Based organization, GTZ = Deutsche.Gesellschaft.für.Technische.Zusammenarbeit, LA = Loan Agreement, NECORD = North East Community Restoration and Development Project, NGOs = Non Governmental Organization, PIU = Project Implementation Unit, PMU = Project Management Unit, PPCC = Provincial Project Coordinating Committee.

## SUMMARY OF CONTRACTS

**Table A7.1: Contract Details–Civil Works, by District**

Province and Districts	Approved by PPCC		Approved by ADB		Tender Called		Tender Awarded		Tendered Amount (\$m)	VAT (\$m)	Tendered Amount + VAT (\$m)	Contingency (\$m)	Supervision Charges (\$m)	Total Cost (\$m)	Total Expenditure (\$m)	Completed Projects
	No of Projects	Cost (\$m)	No of Projects	Cost (\$m)	No of Projects	Cost (\$m)	No of Projects	TEC (\$m)								
<b>Northern Province</b>																
Jaffna	40	3.74	40	3.73	40	3.45	40	3.88	3.36	0.24	3.60	0.15	0.14	3.88	3.40	39
Kilinochchi	40	6.08	40	6.29	40	5.69	40	7.42	5.98	0.74	6.72	0.41	0.30	7.42	6.11	38
Mannar	53	3.98	53	3.67	40	3.25	40	3.91	3.23	0.28	3.51	0.19	0.20	3.91	3.54	53
Mullaittivu	53	2.89	53	2.98	40	2.73	40	3.13	2.66	0.20	2.86	0.13	0.14	3.13	2.79	53
Vavuniya	57	3.43	57	3.28	40	3.02	40	3.39	2.94	0.25	3.19	0.12	0.09	3.39	3.02	57
<b>Subtotal</b>	<b>243</b>	<b>20.11</b>	<b>243</b>	<b>19.95</b>	<b>200</b>	<b>18.14</b>	<b>200</b>	<b>21.74</b>	<b>18.17</b>	<b>1.71</b>	<b>19.88</b>	<b>0.99</b>	<b>0.86</b>	<b>21.74</b>	<b>18.86</b>	<b>240</b>
<b>Eastern Province</b>																
Ampara	81	3.18	81	3.29	40	2.99	40	3.37	2.81	0.27	3.08	0.14	0.15	3.37	2.76	74
Batticaloa	66	4.37	66	4.18	40	3.79	40	4.47	3.66	0.38	4.04	0.15	0.13	4.47	3.84	66
Trincomalee	73	2.90	73	2.97	40	2.68	40	3.13	2.64	0.24	2.88	0.17	0.08	3.13	2.77	70
<b>Subtotal</b>	<b>220</b>	<b>10.45</b>	<b>220</b>	<b>10.44</b>	<b>120</b>	<b>9.46</b>	<b>120</b>	<b>10.96</b>	<b>9.10</b>	<b>0.89</b>	<b>10.00</b>	<b>0.46</b>	<b>0.36</b>	<b>10.96</b>	<b>9.38</b>	<b>210</b>
<b>Common to Northern and Eastern Provinces</b>	<b>1</b>	<b>0.01</b>	<b>1</b>	<b>0.01</b>	<b>40</b>	<b>0.01</b>	<b>40</b>	<b>0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>1</b>
<b>Total</b>	<b>464</b>	<b>30.57</b>	<b>464</b>	<b>30.41</b>	<b>360</b>	<b>27.62</b>	<b>360</b>	<b>32.71</b>	<b>27.28</b>	<b>2.61</b>	<b>29.89</b>	<b>1.45</b>	<b>1.22</b>	<b>32.71</b>	<b>28.24</b>	<b>451</b>

ADB = Asian Development Bank, No. = number, PPCC = Provincial Project Coordinating Committee, TEC = Technical Evaluation Committee, VAT = Value Added Tax.

Table A7.2: Contract Details–Supplies, by District

Province and Districts	Approved by PPCC		Approved by ADB		Tender Called		Tender Awarded		TEC (\$m)	Tendered Amount (\$m)	VAT (\$m)	Amount + VAT (\$m)	Contingency (\$m)	Supervision Charges (\$m)	Total Cost (\$m)	Total Expenditure (\$m)	Completed Projects
	No. of subprojects	Cost (\$m)	No. of subprojects	Cost (\$m)	No of subprojects	Cost (\$m)	No. of Projects										
<b>Northern Province</b>																	
Jaffna	14	0.53	14	0.52	14	0.49	14	0.40	0.33	0.05	0.38	0.01	0.01	0.40	0.37	14	
Kilinochchi	10	0.41	9	0.32	10	0.29	10	0.24	0.20	0.02	0.22	0.01	0.01	0.24	0.18	10	
Mannar	13	0.60	13	0.57	13	0.54	13	0.48	0.38	0.06	0.44	0.01	0.02	0.48	0.43	13	
Mullaitivu	10	0.28	10	0.25	10	0.24	10	0.17	0.15	0.02	0.16	0.01	0.00	0.17	0.16	10	
Vavuniya	9	0.32	9	0.32	9	0.31	9	0.26	0.22	0.03	0.25	0.01	0.00	0.26	0.24	9	
<b>Subtotal</b>	<b>56</b>	<b>2.13</b>	<b>55</b>	<b>1.99</b>	<b>56</b>	<b>1.88</b>	<b>56</b>	<b>1.55</b>	<b>1.27</b>	<b>0.17</b>	<b>1.45</b>	<b>0.05</b>	<b>0.05</b>	<b>1.55</b>	<b>1.38</b>	<b>56</b>	
<b>Eastern Province</b>																	
Ampara	5	0.34	5	0.33	5	0.31	5	0.26	0.22	0.03	0.24	0.01	0.01	0.26	0.25	5	
Batticaloa	9	0.37	9	0.40	8	0.39	9	0.28	0.24	0.03	0.27	0.01	0.00	0.28	0.26	9	
Trincomalee	13	0.72	13	0.72	12	0.66	12	0.31	0.26	0.03	0.29	0.01	0.01	0.31	0.28	12	
<b>Subtotal</b>	<b>27</b>	<b>1.43</b>	<b>27</b>	<b>1.45</b>	<b>25</b>	<b>1.36</b>	<b>26</b>	<b>0.85</b>	<b>0.72</b>	<b>0.08</b>	<b>0.80</b>	<b>0.03</b>	<b>0.02</b>	<b>0.85</b>	<b>0.78</b>	<b>26</b>	
<b>Common to Northern and Eastern Provinces</b>	<b>3</b>	<b>0.30</b>	<b>3</b>	<b>0.32</b>	<b>3</b>	<b>0.32</b>	<b>3</b>	<b>0.27</b>	<b>0.26</b>	<b>0.00</b>	<b>0.27</b>	<b>0.00</b>	<b>0.00</b>	<b>0.27</b>	<b>0.16</b>	<b>3</b>	
<b>Total</b>	<b>86</b>	<b>3.87</b>	<b>85</b>	<b>3.76</b>	<b>84</b>	<b>3.56</b>	<b>85</b>	<b>2.67</b>	<b>2.25</b>	<b>0.26</b>	<b>2.52</b>	<b>0.08</b>	<b>0.07</b>	<b>2.67</b>	<b>2.32</b>	<b>85</b>	

ADB = Asian Development Bank, No. = number, PPCC = Provincial Project Coordinating Committee, TEC = Technical Evaluation Committee, VAT = Value Added Tax.

Table A7.3: Contract Details–Community Development, by District

Province and Districts	No of Projects	Total number of families	Base Cost (\$ m)	PO (\$ m)	Beneficiaries	Operational Cost (\$ m)	Subtotal (\$ m)	VAT (\$ m)	Total Cost (\$ m)	Total Project Cost (\$ m)	Total expenditure (\$ m)	Completed
<b>Northern Province</b>												
Jaffna	8	2,844	0.49	0.01	0.15	0.07	0.57	0.08	0.65	0.81	0.33	8
Kilinochchi	6	1,209	0.36	0.01	0.06	0.05	0.41	0.06	0.48	0.55	0.40	6
Mannar	7	1,120	0.39	0.01	0.05	0.06	0.45	0.07	0.51	0.57	0.44	7
Mullaitivu	7	1,053	0.38	0.02	0.06	0.06	0.44	0.07	0.50	0.59	0.42	7
Vavuniya	8	871	0.35	0.01	0.04	0.05	0.40	0.06	0.46	0.50	0.42	8
<b>Subtotal</b>	<b>36</b>	<b>7,097</b>	<b>1.96</b>	<b>0.06</b>	<b>0.36</b>	<b>0.29</b>	<b>2.26</b>	<b>0.34</b>	<b>2.60</b>	<b>3.02</b>	<b>2.02</b>	<b>36</b>
<b>Eastern Province</b>												
Ampara	9	2,259	0.52	0.02	0.10	0.08	0.60	0.09	0.69	0.82	0.57	9
Batticaloa	6	1,772	0.37	0.02	0.06	0.05	0.42	0.06	0.48	0.56	0.38	6
Trincomalee	7	1,465	0.41	0.01	0.04	0.06	0.47	0.05	0.52	0.57	0.45	7
<b>Subtotal</b>	<b>22</b>	<b>5,496</b>	<b>1.30</b>	<b>0.05</b>	<b>0.20</b>	<b>0.19</b>	<b>1.49</b>	<b>0.20</b>	<b>1.70</b>	<b>1.95</b>	<b>1.39</b>	<b>22</b>
<b>Total</b>	<b>58</b>	<b>12,593</b>	<b>3.27</b>	<b>0.11</b>	<b>0.56</b>	<b>0.48</b>	<b>3.75</b>	<b>0.54</b>	<b>4.29</b>	<b>4.96</b>	<b>3.41</b>	<b>58</b>

No. = number, PO = Partner Organizations, VAT = Value Added Tax