



# Validation Report

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Reference Number: PVR-350  
Project Number: 37245  
Loan Numbers: 2043 and 2044  
November 2014\*

## Sri Lanka: Conflict-Affected Area Rehabilitation Project

Independent Evaluation Department  
**Asian Development Bank**

\* Revised May 2015.

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
BME	–	benefit monitoring and evaluation
CEB	–	Ceylon Electricity Board
EIRR	–	economic internal rate of return
JBIC	–	Japan Bank for International Cooperation
km	–	kilometer
LTTE	–	Liberation Tigers of Tamil Eelam
PCC	–	project coordinating committee
PCR	–	project completion report
PPMS	–	project performance management system
RDA	–	Road Development Authority
RRP	–	report and recommendation of the President
TA	–	technical assistance

## **NOTE**

In this report, “\$” refers to US dollars.

## **Key Words**

adb, asian development bank, benefit monitoring, ceylon electricity board, conflict-affected areas, independent evaluation department, lessons, ltte, performance evaluation, project completion report, road development authority, sri lanka

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## PROJECT BASIC DATA

<b>Project Number:</b>	37245	<b>PCR Circulation Date:</b>	Oct 2012		
<b>Loan Numbers:</b>	2043 and 2044	<b>PCR Validation Date:</b>	Nov 2014		
<b>Project Name:</b>	<b>Conflict-Affected Area Rehabilitation Project</b>				
<b>Country:</b>	Sri Lanka		<b>Approved</b> (\$ million)	<b>Revised</b> (\$ million)	<b>Actual</b> (\$ million)
<b>Sector:</b>	Multisector	<b>Total Project Costs:</b>	107.90	118.65	114.71
<b>ADB Financing:</b> (\$ million)	<b>ADF:</b> 50.00	<b>Loan:</b>	80.00	79.68	75.89
		<b>2043</b> (SDR equivalent, million)	50.00	51.68	50.00
			35.02	34.22	33.14
			30.00	28.00	25.89
	<b>Borrower:</b>	27.00	29.15	30.72	
	<b>OCR:</b> 30.00	<b>Beneficiaries:</b>	0.90	0.90	n/a
<b>Others:</b>		0.00	0.00	0.00	
<b>Cofinancier:</b>	Government of Norway	<b>Total Cofinancing:</b>	0.00	8.60	8.10
<b>Approval Date:</b>	11 Dec 2003	<b>Effectiveness Date:</b> 2043 2044	13 Apr 2004 07 Mar 2005		10 Mar 2004 21 Feb 2005
<b>Signing Date:</b> 2043 2044	14 Jan 2004 7 Dec 2004	<b>Closing Date:</b> 2043 2044	30 Jun 2008 30 Jun 2008		13 Dec 2011 19 Apr 2011
<b>Project Officers:</b>	S. Widowati S. Widowati M. Thiruchelvam	<b>Location:</b> ADB headquarters Sri Lanka Resident Mission Sri Lanka Resident Mission	<b>From:</b> Dec 2003 Jan 2004 Mar 2004		<b>To:</b> Dec 2003 Feb 2004 Apr 2011
<b>Validator:</b>	J. Supangco, Consultant	<b>Peer Reviewer:</b>	F. D. De Guzman, Senior Evaluation Officer, IED2		
<b>Quality Reviewer:</b>	B. Nguyen, Senior Evaluation Specialist, IED2	<b>Director:</b>	B. Finlayson, IED2		

ADB = Asian Development Bank; ADF = Asian Development Fund; IED2 = Independent Evaluation Department, Division 2; OCR = ordinary capital resources; PCR = project completion report; SDR = special drawing rights.

Note: Revised cost refers to figures after the major change in scope in 2006 and additional financing from the Government of Norway.

## I. PROJECT DESCRIPTION

### A. Rationale

1. Physical infrastructure was destroyed and livelihoods, particularly for the poor, suffered from the consequences of the armed conflict between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE). The conflict devastated the northern and eastern provinces and adjacent areas. These events sharply reduced the economic contribution of the region to national development, curbed outlays for social expenditures, discouraged investment,

and stifled tourism.<sup>1</sup> In February 2002, the government and the LTTE signed a cease-fire agreement and started to negotiate a permanent end to the conflict. Various multilateral agencies, including the Asian Development Bank (ADB), undertook a comprehensive assessment of relief and reconstruction needs of the country's most conflict-affected areas, primarily the eight districts of the northern and eastern provinces, and four adjacent districts.

2. Resumption of economic life and reestablishment of normal livelihoods depended on the rehabilitation of key infrastructure facilities and restoration of communities. For instance, pavement surfaces in the road system deteriorated due to the conflict. In power transmission, 145 kilometers (km) of transmission line was destroyed and there was considerable damage to the power distribution system. Limited piped water was available in all major towns, except in Kilinochchi and Mullaittivu, where the water supply systems were completely destroyed. Irrigation schemes were in very poor condition due to the conflict and consequent abandonment of facilities. Problems in the education system such as non-enrollment, dropouts, absenteeism, and poor learning quality were aggravated as a consequence of displacement, poverty, and damaged infrastructure, among other things.

### **B. Expected Impact**

3. The project's expected impact was economic growth and poverty reduction in project areas. Impact performance indicators were increased per capita income in target provinces and districts and reduced number of poor people in the project areas.

### **C. Objectives or Expected Outcome**

4. The expected outcomes were: (i) rehabilitation and reconstruction of essential infrastructure with improved access to economic and social services, reduced travel time, improved transport services, increased access to electricity, increased access to water supply and sanitation, and improved education system; (ii) restoration of community livelihoods, with generation of household income and improvement in household and community infrastructure; and (iii) support to the ongoing peace process, with reduced number of violent incidents involving four or more people, reduced number of disputes involving more than five households, and improved security climate in the area.

### **D. Outputs**

5. The project had four expected outputs. The first output was the rehabilitation of about 500 km of the primary road network. The second output involved rehabilitating the Vavuniya–Kilinochchi transmission system, reconnecting eight districts to electricity, and installing 16 renewable energy systems to serve 16 villages. The third output was community restoration and development and included reconnecting about 100 villages to the water supply and sanitation system, rehabilitating about 200 schools, providing income-generation intervention and infrastructure to some 2,500 households, and restoring rural infrastructure in some 100 villages. The last output required the conduct of a comprehensive feasibility study of the water supply in the Jaffna peninsula and adjacent area.

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<sup>1</sup> ADB. 2003. *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.

## E. Provision of Inputs

6. The total cost of the project at approval was \$107.9 million equivalent. The actual project cost was \$114.7 million equivalent—higher than the appraisal estimate, but lower than the revised cost estimate of \$118.65 million.<sup>2</sup> The project was to be financed by two ADB loans. The first loan (Loan 2043) of \$50 million equivalent was to be sourced from Asian Development Fund. It was intended to finance: (i) parts of road rehabilitation, (ii) the rehabilitation of power distribution networks and rural electrification, (iii) community restoration and development, (iv) the full costs of consulting services, and (v) interest during implementation. The second loan (Loan 2044) of \$30 million from ordinary capital resources was to finance: (i) part of road rehabilitation, (ii) power transmission and equipment, and (iii) the front-end fee and commitment charge. The Government of Norway provided a cofinancing grant of \$8.1 million.

7. At completion, ADB financed \$75.9 million equivalent or 66% of the actual total cost. The project completion report (PCR) indicated that although the actual costs per output were almost the same as the revised cost estimates,<sup>3</sup> the scope for road rehabilitation was reduced considerably (PCR, para. 12). The loans were approved on 11 December 2003 and became effective on 10 March 2004. The loans were disbursed more slowly than envisaged at appraisal because of project implementation delays due to the armed conflict between the government and the LTTE. For the conduct of the Jaffna water supply feasibility study, direct payment procedures were applied. At project completion, about \$7 million from the two loans and about \$0.5 million from the Government of Norway grant were cancelled as the executing agencies could not identify loan savings in advance. These savings could have been used for additional civil works (PCR, para. 41).

8. The project was recorded as Category B under ADB's environmental categorization. It did not have any adverse environmental impacts as it involved only the rehabilitation of existing infrastructure. During project preparation, an initial environmental examination was prepared for sample subprojects. Its findings showed the negative environmental impacts were minor and mitigation measures could be incorporated into the contractor documents. An environmental assessment framework was provided to guide project implementation. The PCR indicated that implementing agencies ensured monitoring was done in accordance with the government's environmental monitoring requirements (PCR, para. 51).

9. The project did not require land acquisition or resettlement as envisaged at appraisal. However, the parties agreed on a resettlement framework to deal with possible impacts related to land acquisition or involuntary resettlement. This framework was designed to ensure that all subprojects comply with the ADB involuntary resettlement policy and other social safeguard policies. The PCR noted that resettlement was not necessary and no indigenous people were negatively affected by the project (PCR, para. 53).

10. For road rehabilitation, 1,780 person-months of consulting services were provided, comprising 75 person-months of international consulting services and 1,705 person-months of national consulting services. No consultant inputs were required for the power and electrification output. For community restoration and development, 250 person-months of national consultant inputs were envisaged at appraisal. However, no consultant was recruited as the activities for

<sup>2</sup> Revised cost refers to the estimates after the major change in scope in 2006 and additional financing from the Government of Norway.

<sup>3</sup> ADB. 2012. *Completion Report: Conflict-Affected Area Rehabilitation Project in the Democratic Socialist Republic of Sri Lanka*. Manila.

this output were implemented through the project management unit of the North East Community Restoration and Development, and supervised by the unit's engineers and line agencies. For the Jaffna water supply feasibility study, the PCR did not indicate the actual person-months of consultants' inputs that were provided. The PCR rated the performance of the consultants for the road rehabilitation and feasibility study *satisfactory*.

11. The PCR indicated that of the 44 contracts tendered under the project, the contract for the Kandy–Jaffna Road was terminated immediately due to severe fighting in the area. Of the 43 contracts executed, three were eventually terminated due to the security situation in the project areas. There was no related technical assistance (TA) to the project.<sup>4</sup>

## **F. Implementation Arrangements**

12. A national project coordinating committee (PCC) was established to oversee project implementation. The PCC was chaired by the Ministry of Local Government and Provincial Councils and included representatives from the ministries involved and ADB, the chief secretaries of the Northern and Eastern provincial councils, and the project director. The provincial PCC was chaired by the chief secretaries of the Northern and Eastern provincial councils and members, including the district secretary or government agent for the districts in the project area, representatives of provincial departments, the security forces, the project director, a representative of ADB, and other officials, as needed.

13. For road rehabilitation, the executing agency was the Ministry of Ports and Highways with the Road Development Authority (RDA) acting as implementing agency. For power and electrification, the executing agency was the Ministry of Power and Energy with the Ceylon Electricity Board (CEB) being the implementing agency. For community restoration and development, the executing agency was the Ministry of Local Government and Provincial Councils with the North East Provincial Council as implementing agency. For the feasibility study, the executing agency was the Ministry of Water Supply and Drainage with the National Water Supply and Drainage Board as implementing agency. The PCR indicated these implementation arrangements were followed. This validation finds these implementation arrangements by the government to be appropriate.

14. The PCR indicated 17 of the 19 loan covenants were complied with. These covenants pertained to project execution and implementation arrangements, subproject selection, project performance management system (PPMS), reports, and feasibility study. The two covenants on possible agreements between ADB and the successor companies of the CEB were deemed not applicable as this entity was not reorganized.

## **II. EVALUATION OF PERFORMANCE AND RATINGS**

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

15. The PCR rated the project *highly relevant*. It noted the project was ADB's first response to the needs assessment completed in May 2003, after the government and the LTTE signed the peace agreement. The ADB country strategy and program (2004–2008) supported the

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<sup>4</sup> Although no technical assistance was directly related to the project, a TA support was undertaken during project implementation in the conflict-affected areas. A full TA completion report was submitted: ADB. 2008. *Technical Assistance Completion Report for Psychosocial Health in Conflict-Affected Areas in the Democratic Socialist Republic of Sri Lanka*. Manila. (TA No. 4442-SRI, approved on 22 November 2004 for \$400,000 equivalent).

government's poverty reduction strategy and its policy on relief and rehabilitation, which aimed to bring the conflict-affected population back to productive life by restoring basic services.<sup>5</sup>

16. This validation recognizes the emergency nature of the project which required immediate response on the part of ADB, in coordination with other donors, to quickly address the need for urgent transport, electricity, and water facilities. The rapid assessment was hindered by time and data constraints as the team could not go into some areas because of security issues (due to landmines and other unexploded ordnance). The project outcomes reflected the priorities of the government and ADB. At the same time, this validation notes the following shortcomings in the project design and formulation. First, given the conflict over the past 30 years, the stability of peace and order in the project areas was a major risk to the project success. Despite this risk, a large scale project design was prepared at a cost of over \$100 million to cover a broad range of activities and infrastructure investments that have long payback periods. This design was based on limited information in a highly volatile context where conditions and needs were likely to change rapidly. As it turned out, when the peace agreement broke down, the project area became a conflict zone where conditions for project implementation were not suitable (PCR, para. 55). During project implementation, the entire transmission line component (about 25% of project total cost) was cancelled and the road target was reduced from 500 km to 300 km. The validation is of the view that project preparation should have taken the conflict context into account and prepared a more careful design, gradually scaling up from small, realistic, well-designed, and successfully-implemented project scope and implementation plan, including necessary risk mitigation measures.

17. Second, during implementation, the project undertook several changes in detailed designs, including increases in road width and changes in road specifications and surface application. These changes led to much higher costs than estimated and required further cuts in the target outputs. In this validation's view, the project preparation could have been better with detailed designs and cost estimations to avoid such a significant reduction in project outputs as occurred in this project. Given these findings, this validation considers a *highly relevant* rating unjustified and rates the project *relevant*.<sup>6</sup>

## **B. Effectiveness in Achieving Project Outcomes and Outputs**

18. The PCR rated the project *effective*. It concluded the outcomes envisaged at appraisal had been substantially achieved. The PCR indicated that eight districts were reconnected to electricity with the completion of a total of 114 rural electrification schemes and 11 medium-voltage schemes. Renewable energy systems were installed in 52 village development secretariats, 5 medical institutions, 149 schools, and 4 villages. A water supply feasibility study for Jaffna and surrounding areas was completed. The rehabilitation of the Vavuniya–Kilinochchi transmission line was completed under Japan Bank for International Cooperation (JBIC) financing.

19. This validation notes the absence of quantitative outcome indicators and baseline data, which could have provided more insights on the extent the completed outputs led to the attainment of targeted outcomes. It is further noted that several shortfalls in outputs were observed. The 500 km of roads targeted for rehabilitation at appraisal was reduced to 300 km due to increased costs. Eventually, the project only completed 198 km, or 66% and 40% of the revised and initial targets, respectively. The project was more effective in the education sector, and reconstructed 167 school buildings out of the target of 200 school buildings or 83.5% of the target.

<sup>5</sup> ADB. 2003. *Country Strategy and Program: Sri Lanka, 2004–2008*. Manila.

<sup>6</sup> The regional department disagrees with the downgrade of the PCR rating.

20. Considering the post-conflict situation and unstable peace, and the inadequacies of the project design, this validation agrees that the achievement of the revised program was a significant accomplishment. On this basis, this validation also rates the project *effective*.

### **C. Efficiency of Resource Use in Achieving Outputs and Outcomes**

21. The PCR rated the project *efficient*. It noted the project was categorized as emergency in nature, and therefore, no economic analysis was prepared at appraisal. In the absence of economic evaluations, it was indicated at appraisal that all subprojects would be justified by the agreed criteria, which included basic economic analysis (report and recommendation of the President [RRP], para. 84). The PCR noted that economic analyses were not undertaken for the subprojects due to the lack of baseline data in conflict-affected areas.

22. This validation notes that the project required four extensions for Loan 2043 and two for Loan 2044. At appraisal, it was envisaged the project would be implemented over 4 years and completed by December 2007. In reality, the project implementation was delayed by about 3 years and completed in December 2010 (PCR, Appendix 6). This validation observes a substantial cost overrun for the road rehabilitation. The actual cost of \$70.22 million was 54% higher than the appraisal estimate of \$45.6 million, and even with these additional resources, only 198 km of road were rehabilitated compared to 500 km targeted at appraisal. Given the actual road length rehabilitated, the unit cost was about \$355,000/km, almost 4 times the appraisal estimate of about \$91,000/km.

23. The PCR estimated the economic internal rates of return (EIRRs) for a sample of three roads among the 11 project roads, with EIRRs of 14%, 18.6%, and 23.6%. The validation considers that such sample was too small, and did not take into consideration the project's other three outputs, to draw a conclusion on the project's overall economic viability. This validation notes that supervision consultants conducted benefit monitoring and evaluation (BME) during project implementation for road rehabilitation to gather both quantitative and qualitative data. Given these data, a more meaningful form of economic analyses could have been undertaken to assess the viability of subprojects. In view of the time and cost overruns and the lack of sufficient EIRR calculations, this validation rates the project *less than efficient*.

### **D. Preliminary Assessment of Sustainability**

24. The PCR rated the project *likely sustainable*. The PCR provided individual ratings for road rehabilitation, power and electrification, and community restoration and development, and weighted these assessments in accordance with the associated level of investment in maintaining each output.

25. The PCR rated the project roads *likely sustainable* because the RDA had allocated sufficient funds to maintain these roads, although the budget allocation from the Treasury for road maintenance was slightly lower than the required amount in 2012. The PCR indicated that project road maintenance funding had been sourced from budgetary allocations in the Road Maintenance Trust Fund since 2006 under the provisions of a Trust Ordinance. The trust fund had a 2006 budgetary allocation of SLRs3 billion,<sup>7</sup> which increased to SLRs5.5 billion by 2012.

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<sup>7</sup> Loan 2043: At appraisal = (SLRe 1.00 = \$0.01; \$1.00 = SLRs94.80). At completion (SLRe 1.00 = \$0.009; \$1.00 = SLRs112.54). Loan 2044: At appraisal (SLRe 1.00 = \$0.01; \$1.00 = SLRs94.80). At completion (SLRe 1.00 = \$0.009; \$1.00 = SLRs110.26).



The RDA had allocated a further SLRs10 billion for rehabilitation of roads. RDA was implementing the performance-based maintenance system for selected roads and planned to include more roads under the system from 2012. The PCR mission observed in March 2012 that in some project road sections, immediate maintenance was needed to fix potholes and cracks, and repair shoulders due to damages caused by the heavy floods in 2011 (PCR, Appendix 9, para. 6). Given the project roads were just completed, this incident indicates poor construction quality or inadequate maintenance or both, despite the availability of the funds and maintenance system claimed by the PCR.

26. The PCR rated the power and electrification component *likely sustainable*. However, it noted that the financial position of CEB remained problematic and that it needed to ensure resources are available to properly and adequately maintain the outputs. The PCR noted that the rural electrification schemes were not self-sustaining, but assumed that there was no threat to their sustainability because capital costs were covered by equity contributions from the government and operational losses could be covered by imposing higher tariffs on non-rural consumers. This validation considers these assumptions to be too optimistic, given government budget constraints and its readiness to approve higher tariffs as the PCR did not indicate that there was a plan for proposed rate increases and there was no implementation timetable. The PCR also did not provide an evaluation of the financial condition and technical capacity of CEB to maintain the system.

27. The PCR rated the community restoration and development component *likely sustainable* as it noted the project outputs were in good condition and appeared well maintained. It observed that funds allocated to local authorities for village road maintenance were inadequate and assessed village road sustainability *less likely*. The PCR indicated the funding to maintain schools, hospitals, and other community infrastructure was expected to be sufficient and assessed the sustainability of these community infrastructure facilities *likely*. However, the PCR did not assess the availability of resources and the expenditure levels of government agencies involved in the project to determine the sufficiency of required financial resources. Likewise, it did not discuss the institutional capacity of the concerned agencies at the community level to undertake the required maintenance works. Given the background of decades of conflict during which nearly a million of people were killed or displaced (para. 2, RRP) and much local livelihoods, infrastructure and institutions were destroyed (RRP, para. 6), the validation finds the assertions in the PCR to be too optimistic and its assessment not supported by evidence.

28. In sum, based on the available data for financial resources and institutional capacity against resource demands for project operation and maintenance, there is no evidence that maintenance funding and services would be provided throughout the sub-projects' economic life. Given these findings, this validation assesses the project *less than likely sustainable*.

## **E. Impact**

29. The PCR did not provide actual and baseline figures that could have facilitated a meaningful assessment of the extent to which the envisaged impact indicators were achieved. However, it noted that the project benefited nearly 800,000 people who were forced to relocate because of the conflict and who have now returned to their homes, including those people who remained, and lost access to basic social and economic infrastructure.

30. The PCR noted the project produced significant benefits and helped improve the economic, social, and living conditions of people affected by the conflict. In general, the project (i) restored access, incomes, and employment opportunities; and (ii) improved the quality of life

of beneficiaries by providing electricity to 27,000 consumers, health facilities, schools, irrigation and water supply systems, rural roads, and community development activities. Based on these findings, this validation considers the project impact *significant*.

### III. OTHER PERFORMANCE ASSESSMENTS

#### A. Performance of the Borrower and Executing Agency

31. The PCR rated the performance of the borrower and the executing agencies *satisfactory*. It noted that the implementing agencies managed the physical implementation of the project effectively by convening periodic PCC meetings with stakeholders to resolve implementation issues. Loan proceeds were disbursed slower than expected due to procurement delays, changes in subproject design, and the conflict situation in project areas. Throughout the course of the project, the executing agencies were responsive to ADB requests. On the whole, the executing agencies were either delayed in submitting their project completion reports, did not comply with the ADB format, or did not provide sufficient information on government counterpart funds. This validation assesses the performance of the borrower and executing agencies *satisfactory*.

#### B. Performance of the Asian Development Bank

32. The PCR rated ADB performance *satisfactory*. The Sri Lanka Resident Mission took over the implementation administration of Loan 2043 on 18 May 2005 and Loan 2044 on 1 January 2004. ADB conducted four loan review missions, two special loan review missions, and a special loan administration mission. A midterm review mission was not conducted due to the security situation. An inception and a midterm review mission for the Jaffna Peninsula Water Supply feasibility study was conducted by the South Asia Urban Development and Water Division of ADB. The missions conducted visits to the project sites and coordination meetings with the executing and implementing agencies to discuss and resolve problems. The executing and implementing agencies acknowledged the resident mission facilitated communication and speedy resolution of technical, administrative, and procurement issues. The concerned agencies generally appreciated the role performed by ADB. However, ADB project administration and supervision failed to ensure that an effective PPMS be implemented as required by the loan covenants. On the whole, this validation considers ADB performance *satisfactory*.

### IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

#### A. Overall Assessment and Ratings

33. The PCR rated the project *successful*. This validation rates the project *less than successful* based on its ratings of *relevant*, *effective*, *less than efficient*, and *less than likely sustainable*. On relevance, the project design was too large and broad in scope, and did not adequately factor in conflict risks. Detailed designs were prepared on the basis of inadequate information. As a result, the project scope was reduced significantly during implementation. On efficiency, significant time and cost overruns were incurred. The project completion was delayed by about three years. The unit cost of the road component was about 4 times higher than the appraisal estimate. An economic evaluation was conducted for only three sample subprojects, which was an inadequate basis for an assessment of the project's overall economic viability. On sustainability, adequate funding and institutional capacity for the maintenance of project outputs could not be fully assured.

### Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Relevant	Conflict risks were not adequately considered and the project design was too large and broad in scope. Detailed designs lacked information on material supplies and costs. As a result, the project scope was reduced significantly during implementation (paras.15–17).
Effectiveness in achieving project outcome and outputs	Effective	Effective	
Efficiency in achieving outcome and outputs	Efficient	Less than efficient	Significant time and cost overruns were incurred. The project completion was delayed by about three years. The unit cost of the road component was four times higher than the appraisal estimate (paras. 21–23).
Preliminary assessment of sustainability	Likely sustainable	Less than likely sustainable	No concrete financial and institutional capacity assurance that maintenance requirements for the various subprojects would be provided. During the PCR mission, deterioration and lack of maintenance and repair of some subprojects were already observed (paras. 24–28).
<b>Overall assessment</b>	<b>Successful</b>	<b>Less than successful</b>	
Preliminary assessment of impact	Not rated	Significant	See paras. 29–30.
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Less than satisfactory	See para. 37.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.  
Source: ADB Independent Evaluation Department.

## B. Lessons

34. The PCR noted that ADB should have allowed adequate time for planning, design, tendering, and construction of projects as the incidence of security issues severely hampered implementation of the project. ADB should have deferred project implementation or even the loan itself, until such time that security was restored on a permanent basis. This validation supports this lesson. It notes that the two loans were approved after the peace agreement was signed, although the situation still remained volatile and could be considered as unsuitable for project implementation.

### **C. Recommendations for Follow-Up**

35. The PCR recommended the need for ADB to follow-up with the government on the maintenance of the project roads. The government should also enforce regulations on overloaded vehicles to maintain the good quality of the road and enable these assets to reach their full economic life. With increasing levels of traffic, especially heavy-vehicle volume, pressure would be put on the roads constructed under the project. The government needs to allocate sufficient funds to maintain the project roads and enforce regulations on maximum vehicle weights to prevent damage to the road surface. This validation finds these recommendations appropriate and has no additional recommendation to offer.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Evaluation Design, Implementation, and Utilization**

36. The PCR reviewed various documents, including the PCRs of each of the executing agencies and the BME exercise conducted during works on the road rehabilitation. The validation notes that, despite the availability of BME data, it was not utilized for evaluating the outputs in road rehabilitation. There were no BME exercises for the other outputs, although the PCR indicated the covenant for the PPMS was complied with. The project framework at appraisal failed to identify additional performance indicators to match the objectives in the narrative summary.

### **B. Comments on Project Completion Report Quality**

37. This validation rates the PCR quality *less than satisfactory*. It provided a good description of project implementation, including an analysis of the factors that affected outputs and outcomes. However, it failed to fully support its arguments for the ratings given per criterion, although some of the data were available. The PCR seemed to dwell on a few negative aspects of the project, such as delays in the submission of specific PCRs by each executing agency, which could be considered less important. The PCR also failed to adequately (i) discuss process efficiency and provide economic analyses of subprojects; (ii) assess the institutional capacity for operation and maintenance of the project; and (ii) discuss the design, implementation, and utilization of the PPMS.

### **C. Data Sources for Validation**

38. Data sources for this validation included the RRP, PCR, and ADB loan mission reports. The ADB country strategy and program for Sri Lanka (2004–2008) was reviewed to determine ADB priorities for the country.

### **D. Recommendation for Independent Evaluation Department Follow-Up**

39. The PCR recommended that a project performance evaluation be undertaken not later than August 2014 to determine if the project was meeting its objectives. Given the insufficiency of appraisal and baseline data for outputs and absence of a project performance monitoring system, it would be difficult to conduct a project performance evaluation.