

Ex-ante Evaluation

1. Name of the Project

Country: Democratic Socialist Republic of Sri Lanka

Project: Pro-Poor Rural Development Project

(Loan Agreement: March 28, 2007; Loan Amount: 4,085 million yen; Borrower: The Government of the Democratic Socialist Republic of Sri Lanka)

2. Necessity and Relevance of JBIC's Assistance

(1) Current State of Poverty and Regional Development in Sri Lanka and Necessity of the Project
Regional disparities in Sri Lanka are expanding every year. According to 2002 statistics, whereas the overall national poverty rate was 23% (down 3% compared to 1990), the poverty rate in urban areas was 8% (down 8% compared to 1990), 25% in rural areas (down 4% compared to 1990), and 30% in plantation areas (up 9% compared to 1990). Although the poverty rate is decreasing in urban areas, it remains high in rural and plantation areas. Moreover, in the northern and eastern areas, development has been hobbled by the destruction of the social foundation by conflict in addition to the tsunami damage in December 2004.

The disparity of infrastructure development between the urban and rural areas is so significant that it has been one of the factors causing the income disparities. Looking at the road sector, road density is 1.6 km/km² in the Western Province where income is relatively high and 0.5 km/km² in Southern Province, and in Uva Province, the density is a remarkably low 0.2 km/km² where the poverty rate in both provinces is high. To promote poverty reduction by raising income levels and living standards in regional areas, it is necessary to develop road infrastructure so as to improve access to markets and social services.

(2) Development Policy of the Sri Lankan Government

The goal (as of 2005) of the Sri Lankan government is to reduce the poverty rate to 13% nationwide by 2015. In November 2005, Mahinda Chinthana, the basic policy of the new administration, was released. It states that efforts will be made for poverty reduction and for improvement of regional disparities through rural development. Under this background, the government launched a new regional development program called Gama Naguma (rural development) in 2005. This program endeavors to alleviate poverty and develop the rural areas through development of basic infrastructure based on residents' needs, including construction/improvements for electrification, communications networks, water supply, roads, public health centers, daycare centers, and community facilities.

Like Gama Naguma, the aim of this project is poverty alleviation and regional development through infrastructure development. Project sites were selected with consideration for their poverty rates and regional balance. Moreover, consultations were conducted in the target provinces, districts, divisions, and villages, and sub-projects were selected based on regional needs and priorities.

(3) Consistency with JBIC's Assistance Policy

In Japan's Country Assistance Plan for Sri Lanka (April 2004), "institutional reform and assistance for providing economic foundation" is stated as the direction for assistance during the next five years.

This project is consistent with this direction. Moreover, in JBIC's Medium-Term Strategy for Overseas Economic Cooperation (FY2005-2007), priority areas for assistance in Sri Lanka are "assistance to the poor" and "assistance for peace building with consideration given to regional and ethnic balance" This project conducts socioeconomic infrastructure development in areas with high poverty rates that are lagging in development, and so promotes rectification of regional disparities, which is consistent with JBIC's operation strategy. Thus, JBIC's support of this project is highly necessary and relevant.

3. Project Objectives

The objective of this project is to improve access to market and social services by constructing/improving national and rural roads in regional areas of Sri Lanka, thereby contributing to regional development and poverty reduction.

4. Project Description

(1) Target Area

Moneragala and Badulla Districts in Uva Province, Ampara District in North Eastern Province, and Hambantota District in Southern Province.

(2) Project Outline

- (a) Improvement of national and rural roads
- (b) Consulting services (supervision of construction, strengthening of project implementation and monitoring system, etc.)

(3) Total Project Cost/Loan Amount

5,450 million yen (ODA Loan Amount: 4,085 million yen)

(4) Schedule

April 2007 – May 2009 (26 months)

(5) Implementation Structure

- (a) Borrower: The Government of the Democratic Socialist Republic of Sri Lanka
- (b) Executing Agency: Ministry of Finance and Planning
- (c) Operation and Maintenance System: Regional administrative agencies such as provincial councils, etc., and the Road Development Authority

(6) Environmental and Social Consideration

(a) Environmental Effects/Land Acquisition and Resident Relocation

(i) Category: B

(ii) Reason for Categorization

This Project is classified as Category B because, while it falls into road sector, it is not large enough to have significant adverse impacts on the environment, nor it is a sensitive area, nor has it sensitive characteristics under the "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations" (established April

2002).

(iii) Environmental Permit

The EIA report is not required for the project in the country's legal system.

(iv) Anti-Pollution Measures

The sub-projects are small-scale projects which are not expected to cause significant adverse impacts on the environment, but each provincial government will implement the appropriate pollution countermeasures as necessary during construction.

(v) Natural Environment

Adverse impact on the natural environment is expected to be minimal due to the small scale of the sub-projects, and they are not located in or around sensitive areas, such as a national park, etc.

(vi) Social Environment

This is a project to pave, etc., existing roads, and it will not involve any land acquisition nor resettlement.

(vii) Other/Monitoring

Because the sub-projects in the project are small-scale, the impact on air quality, water quality, and noise, etc., is expected to be minimal. However, the executing agency and provincial councils will monitor the air quality, water quality, and noise during construction as necessary.

(b) Promotion of Poverty Reduction

The percentage of people living in poverty in the project area exceeds the national poverty rate. The project aim to improve the access of poor people to public services through improvement of small-scale road infrastructure.

(c) Promotion of Social Development (e.g. Gender Perspective)

Some of the sub-projects were selected based on residents' needs and priorities.

(7) Other Important Issues

For the sub-projects, consultations were conducted in provinces, districts, divisions, and villages, and the sub-projects were selected based on regional needs and priorities. To strengthen the capacity of regional administrative agencies, technical assistance will be provided as part of the consulting services.

5. Outcome Targets

Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2006)	Target (2009, upon completion)
Project beneficiaries (rural roads) (1,000 households)	N.A.	103
International Roughness Index* (national roads) (mm/m)	4.0-8.0	2.0-4.0

*The International Roughness Index is a measure of comfort when traveling on roads.

6. External Risk Factors

Intensification of ethnic conflict in the Northern and Eastern Provinces, etc.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

From the ex-post evaluation results of regionally dispersed projects in the past, it was learned that it is necessary to clarify the target area of each sub-project and the project implementation structure and also to give detailed consideration to project supervision. Based on this, the target area was selected, at the district and division level based on Sri Lanka's poverty index, etc. and the implementation structure and roles of the provincial and central governments were clarified. Moreover, to conduct detailed project supervision, it is planned to set up project implementation units in each provincial councils to strengthen project implementation.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

- (a) Project beneficiaries (1,000 households)
- (b) International Roughness Index (mm/m)

(2) Timing of Next Evaluation

After project completion