1. Name of the Project (Country)

Country: The Democratic Socialist Republic of Sri Lanka  
Project: Provincial/Rural Road Development Project  
Loan Agreement: March 26, 2010  
Loan Amount: 13,121 million yen  

2. Background and Necessity of the Project

(1) Current State and Issues of the Road Sector in Sri Lanka

Sri Lanka’s road sector plays an extremely large part in the country’s socioeconomic activity, as it accounts for approximately 90% of domestic overland transport. Even with conflict and tsunami damage, Sri Lanka’s GDP has been growing by around 6% annually since 2003 and such growth has caused dramatic increases in traffic volume. Most existing roads in rural areas, however, have been insufficiently maintained and are thus deteriorated. This situation provides inadequate access to social services and also invites widening disparities between outlying regions and the greater Colombo area.

(2) Development Policies for the Road Sector in Sri Lanka and the Priority of the Project

Sri Lanka’s “Ten Year Horizon—Development Framework” (2006-2016) states that rehabilitation and improvement of the road network are urgently needed to promote regionally balanced economic growth. Sri Lanka’s National Road Master Plan (2007) puts forward a plan for developing a road network that will link centers for economic growth throughout the country. A Feasibility Study for provincial roads requiring rehabilitation (2008) and a community road development program called “Maga Neguma” (2004) have been formulated. The Asian Development Bank (ADB), the World Bank, and JICA are collaborating to support these initiatives. Through this project with the partnership, JICA will provide continuous assistance for provincial roads in Central and Sabaragamuwa Provinces and also support improvement of community roads in Eastern Province where reconstruction from the effects of conflict has progressed. Eastern Province requires regional economic revitalization and improvement of living standards for local residents from the standpoint of peace-consolidation, and thus the development of roads is essential for better access to economic and social services.

(3) Japan and JICA’s Policy and Operation in the Road Sector

Assistance for peace-consolidation and reconstruction and assistance in line with a long-term vision for development are established as two main pillars of Japan’s Country Assistance Program for Sri Lanka (FY2004). Based on this, JICA is attempting to formulate projects that consider both regional balance and conflict effects as means of further supporting peace-consolidation. Thus far, JICA has been supporting provincial
road improvement with Japanese ODA Loans through the “Provincial Road Improvement Project” and “Pro-Poor Rural Development Project,” and national road development in “Southern Highway Construction Project” and “Greater Colombo Urban Transport Development Project”, etc.

(4) Other Donors’ Activities
The project will be part of a nationwide road improvement initiative for Sri Lanka to be implemented in collaboration with the World Bank and ADB. In partnership with the World Bank and ADB, which has provided assistance for provincial roads in five provinces, the program will seek to improve regional roads in all nine provinces, including Northern Province, where post-conflict reconstruction has started. Of these, JICA will provide assistance for Central and Sabaragamuwa Provinces. As for Eastern Province, the World Bank and ADB will provide assistance for provincial roads and JICA will support improvement of community roads.

(5) Necessity of the Project
Although Sri Lanka firmly recognizes the need to improve and develop its road network, it cannot take adequate steps in this direction due to budgetary constraints and other limitations, and therefore road surface degradation is progressing conspicuously. The project is highly necessary to provide assistance to the situation, as it is in line with Japan’s and JICA’s assistance policies, and to help alleviate obstacles to overland transport and regional disparities in Sri Lanka.

3. Project Description

(1) Project Objectives
To enhance connectivity and reliability of the roads network especially for the people in rural area by rehabilitating and upgrading the provincial/rural roads, thereby contributing to local economic development and reduction of regional disparities.

(2) Project Site/Target Area
Central Province, Sabaragamuwa Province and Eastern Province

(3) Project Outline
1) Road improvement work (total of approximately 350 km in Central and Sabaragamuwa Provinces; total of approximately 300 km in Eastern Province)
2) Consulting services (detailed design, bidding support, supervision)

(4) Estimated Project Cost
15,835 million yen (Loan Amount: 13,121 million yen)

(5) Schedule
March 2010 – January 2015 (total of 59 months). The project will be completed when the facilities begin operation (January 2014).

(6) Project Implementation Structure

2) Executing Agencies:
   Central and Sabaragamuwa Provinces: Ministry of Local Government and Provincial Councils
   Eastern Province: Ministry of Finance and Planning

3) Operation and Maintenance System
   Central Province: Central Provincial Council
   Sabaragamuwa Province: Sabaragamwa Provincial Council
   Eastern Province: Eastern Provincial Council

(7) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and Social Considerations
   ① Category: B
   ② Reason for Categorization: The project is classified as Category B because it does not correspond to sensitive sectors, characteristics, or areas that are mentioned in the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” [formulated in April 2002] and thus will not have a significantly undesirable impact on the environment.
   ③ Environmental Permit: The preparation of an environmental impact assessment (EIA) report for the project is not required by the laws of Sri Lanka.
   ④ Anti-Pollution Measures: Countermeasures against noise pollution will include restrictions on work hours and consultation with local residents at the construction phase, and preservation of roadside trees during the operation phase.
   ⑤ Natural Environment: The project area is not in a region that is susceptible to impact (such as a national park, etc.) nor in the vicinity of such a region, and thus it is anticipated that undesirable impacts on the natural environment by the project will be minimal.
   ⑥ Social Environment: The project is to repair existing roads, and thus will not require land acquisition or resettlement of residents.
   ⑦ Others/Monitoring: The executing agencies will monitor noise, waste, water quality, and other items during construction, and will monitor air quality and other items during operation under the project.

2) Promotion of Poverty Reduction
   The project is expected to contribute to improve the living environment of residents in rural areas that have high poverty rates by improving road condition.

3) Promotion of Social Development (e.g. gender perspectives, measures for infectious diseases including HIV/AIDS, participatory development, consideration for the disabled, etc.)
   Participation of community-based organizations (CBO) is planned for improvement of
access roads and unskilled operations in improved road maintenance, and there are expectations for participation by nearby residents and creation of employment opportunities. Moreover, in Central and Sabaragamuwa Provinces, there are plans to hold enlightenment activities for traffic safety by utilizing consultation services in partnership with CBO and local schools.

(8) Cooperation with Other Donors.

The project will be part of nationwide road improvement initiative for Sri Lanka to be implemented in collaboration with the World Bank and ADB.

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<th>4. Targeted Outcomes</th>
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<tr>
<td>(1) Performance Indicators (Operation and Effect Indicators)</td>
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<tr>
<th>Indicator</th>
<th>Baseline (Actual value in 2009)</th>
<th>Target (2016) (Expected value 2 years after project completion)</th>
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<tr>
<td></td>
<td>Central Province, Sabaragamuwa Province</td>
<td>Eastern Province</td>
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<tr>
<td>Annual average daily traffic (No. vehicles/12 hours)</td>
<td>1,092</td>
<td>58</td>
</tr>
<tr>
<td>Reduction in vehicle operating costs (million rupees/year)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in travel time (million rupees/year)</td>
<td>-</td>
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Note: For community roads of Eastern Province, indicators that match the characteristics of small-scale roads will be additionally selected in a baseline survey during the project implementation.

(2) Internal Rate of Return

Based on the following assumptions, the project’s economic internal rate of return (EIRR) will be 21.6% for Central and Sabaragamuwa Provinces and 17.2% for Eastern Province.

Cost: Project cost (excluding taxes); operation and maintenance cost

Benefit: Reduction of vehicle operating cost and travel time cost

Project life: 20 years

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<th>5. External Factors and Risk Control</th>
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<th>6. Lessons Learned from Past Projects</th>
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<td>From ex-post evaluations of past projects, it is understood that there is a need to pay attention to the establishment of an operation and maintenance framework following the project completion. Based on this, technical transfer on operation and maintenance management is planned as part of consulting services under the project with information exchanges with other donor agencies. At the same time, based on the lessons learned that shortening the</td>
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preparation period is important to avoid cost overruns that could be caused by worsening road condition between the timing of the appraisal and bidding, smooth transition to the execution phase will be supported.

7. Plan for Future Evaluation

(1) Indicators to be Used

1) Annual average daily traffic (number of vehicles/12 hours)
2) Reduction in vehicle operating cost (million rupees/year)
3) Reduction in travel time cost (million rupees/year)
4) Economic internal rate of return (EIRR) (%)

(2) Timing

2 years after project completion