

## Ex-ante Evaluation

### **1. Name of the Project**

Country: The Democratic Socialist Republic of Sri Lanka

Project: Pro-Poor Eastern Infrastructure Development Project

Loan Agreement: March 28, 2006

Loan Amount: 4,460 million yen

Borrower: The Government of the Democratic Socialist Republic of Sri Lanka

### **2. Necessity and Relevance of JBIC's Assistance**

Spanning some twenty years, the ethnic conflict in Northern and Eastern Sri Lanka has had a heavy human toll; it has left 65,000 dead, created 800,000 internal refugees and seen 100,000 seek refuge in India. Much social and economic infrastructure has been destroyed and the economy is crumbling. Significant economic disparities had emerged by 2002 with average household income in the Eastern Province at 60% of the national average and 43% as compared to the prosperous Western Province. The economic disparities were further widened by the tsunami of December 2004, which caused huge damage in Sri Lanka, predominantly to housing and key infrastructure, though it was the Eastern Province that was hardest hit, with 14,489 left dead (46% of the total) and 19,500 houses destroyed (49%), and the Province accounting for 45% of the US\$1.5 billion in recovery and rehabilitation funding needs.

The Government of Sri Lanka has identified the need to narrow inter-regional economic disparities as a key policy issue and has designated the north and the east as priority regions with a view to promoting economic recovery and the peace process. The needs assessment for the North East that was reported at the Tokyo Conference on Reconstruction and Development of Sri Lanka in 2003 pegged the rehabilitation and reconstruction of infrastructure as the base for the resumption of economic activity and placed particular emphasis on the rehabilitation of roads, which is expected to generate employment, promote investment in local construction-related industries, and simultaneously, to contribute to the economic development of the North East by improving access to markets and metropolitan areas.

The national roads and bridges in the Eastern Province were built in colonial times and are narrow. Inadequate maintenance during the civil war has left road surfaces badly damaged and conditions have been further worsened by the tsunami and flooding that occurred at the end of December 2004. The Ampara and Batticaloa districts to be targeted by this project have a plentiful fishery stock, and Ampara is one of the highest rice-producing districts in Sri Lanka; however, the underdeveloped road network means that access to large produce markets is restricted and this is hindering the economic development of the region.

JBIC's Medium-Term Strategy for Overseas Economic Cooperation Operations cites "capacity building for sustainable growth" and "support for human resource development" as priority areas for assistance and with respect to its operations in Sri Lanka emphasizes "reconstruction assistance, especially in the North and East, in consideration of the regional and ethnic balance, and assistance for the construction of economic infrastructure that will lead to sustainable economic growth led by the private sector, for industrial development, and to the poor". Accordingly, this project is consistent with the strategy.

In light of the above, the necessity and relevance of JBIC assistance for this project are considered to be considerable.

### **3. Project Objectives**

The objective of this project is to increase distribution efficiency in the Eastern Province and to improve access to other regions by paving and widening national roads A4 and A15, which run along the eastern coast and which were damaged by the tsunamis triggered by the Indian Ocean earthquake, thereby contributing to economic recovery in the region and to narrowing inter-regional economic disparities.

### **4. Project Description**

#### (1) Target Area

The eastern coastal region (Ampara and Batticaloa districts)

#### (2) Project Outline

To provide the following civil works and services as necessary to the execution of this project in the eastern coastal region:

- (a) Paving and widening of national routes A4 and A15 (totaling approx. 100km between Akkaraipattu and Trikkandimadu)
- (b) Bridge construction (construction of a bridge parallel to the Kallady Bridge in central Batticaloa city)
- (c) Consulting services (work supervision, baseline survey)
- (d) Vocational training (on the operation of construction machinery and in maintenance skills)

#### (3) Total Project Cost/Loan Amount

5,691 million yen (Yen Loan Amount: 4,460 million yen)

#### (4) Schedule

March 2006-September 2010 (55 months)

#### (5) Implementation Structure

- (a) Borrower: The Government of the Democratic Socialist Republic of Sri Lanka
- (b) Executing Agency: The Road Development Authority (RDA) will execute the road development component; the Institute for Construction Training and Development (ICTAD) will execute the vocational training component.
- (c) Operation and Maintenance System: RDA (operation, maintenance and construction department)

#### (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 since it is not listed as a sensitive sector/area or has having sensitive characteristics (i.e. liable to cause adverse environmental impact) in the

“Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (established April 2002) and is deemed unlikely to have a significant adverse impact on the environment.

(iii) Environmental Permit

The EIA report is not required for the project in Sri Lanka’s legal system. The project execution in the coastal region has been approved by the Coastal Conservation Department<sup>\*1</sup>.

(iv) Anti-Pollution Measures

This project will primarily involve the paving of existing roads and it is not anticipated that its execution will result in any significant increase in traffic flows, thus compliance with the country’s environmental standards on air and noise pollution is expected. Various measures will be taken to mitigate the effects of exhaust gas, dust and pollution during construction, including watering and the appropriate management of construction equipment.

(v) Natural Environment

This project will primarily involve the paving, etcetera, of existing roads, and since neither the immediate project area nor its environs are classified as protected areas, i.e. national parks, or as valuable habitats, no significant adverse impact from execution is foreseen.

(vi) Social Environment

This project will primarily involve the paving of existing roads and is expected to require the acquisition of approximately 1 ha of land; compensation will be provided in accordance with domestic law. The project will not involve any involuntary resettlement.

(vii) Other/ Monitoring

Environmental impacts regarding such items as air quality, water quality and noise will be monitored by the executing agency during construction and once the roads and the bridge are opened to the public.

(b) Promotion of Poverty Reduction

The eastern coastal region was impoverished before disaster struck and the economic losses resulting from the tsunami have served to worsen poverty. This project will promote direct employment in civil works and provide vocational training on the operation and maintenance of construction machinery with a view to facilitating the creation of job opportunities for the poor and for those affected by the tsunami.

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

None

(7) Other Important Issues

- Many donors including JBIC, the Asian Development Bank (ADB) and the World Bank have been working with the Government of Sri Lanka to promote reconstruction efforts in the road sector following the tsunami, and steady progress has been made on the rehabilitation of main roads (total length 1,130km) from Kalutara in the west, through southern and eastern regions to

<sup>1</sup> Under the Coastal Conservation Act, approval on development projects to be undertaken in coastal regions is provided by the Coastal Conservation Department; however, for projects undertaken in other areas of the country, the requisite authorization is provided by the Central Environmental Authority in conformity with the National Environmental Act.

Jaffna in the north of the country. This project forms part of the Road Network Reconstruction Program and will secure links with the roads being rebuilt under ADB funding to the south and those being built to the north under assistance from the French government.

- The feasibility study (F/S) for this project was undertaken by JICA as part of its Emergency Development Study, and the medium to long-range assistance for tsunami recovery to be funded by ODA loan package will be provided on the basis of this development study.
- The liaison operations connected with the project’s operational training component including information provision, resident consultations, and student selection, are to be entrusted to a local NGO with a view to expediting implementation.

## 5. Outcome Targets

### (1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2004)	Target (2010, 1 year after completion)
Annual average daily traffic (PCU <sup>2</sup> /day)	7,070 (Kalmunai) 3,730 (Kattankudi)	9,200 (Kalmunai) 5,100 (Kattankudi)
Time Saving (Rs MM/year)	-	56

### (2) Internal Rate of Return

Economic Internal Rate of Return (EIRR): 12.7%

- (a) Cost: project costs; operation and maintenance costs
- (b) Benefit: travel cost savings, time saving
- (c) Project Life: 20 years

## 6. External Risk Factors

The failure of the Sri Lankan peace process could result in the deterioration of security, particularly in those regions under Liberation Tigers of Tamil Elam (LTTE) control and render project execution difficult.

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

Ex-post evaluations of prior road sector projects indicate the need for diligence in the establishment of post-project operation and maintenance systems. Budget allocations approximated to a mere 25% of national road maintenance funding requirements (Rs 4.4 billion/year) in 2004, but major improvements have been confirmed: the budget allocation amounted to Rs 1.9 billion in 2005 (43% of the requirement) and to Rs 3.4 billion in 2006 (77%). Further, vehicle fuel tax has been levied since 2003 and a study into the introduction of a system for earmarking funds for road maintenance has been undertaken. The introduction of the system was approved by parliament at the end of 2005 and concrete preparations, including the establishment of a management committee and the creation of trust certificates, are progressing.

<sup>2</sup> PCU is the abbreviation for “Passenger Car Unit” and refers to the “Passenger Car Equivalence”. The unit is used to convert the numbers of various vehicles in heterogeneous traffic to their homogeneous traffic counterpart, i.e. the number of PCU. The PCU for motorcycles is 0.5, that for light-duty trucks is 1.5 and that for large buses is 2.4.

## **8. Plans for Future Evaluation**

### (1) Indicators for Future Evaluation

- (a) Annual average daily traffic (PCU/day)
- (b) Time Saving (Rs MM/year)
- (c) Internal rate of return (EIRR: %)

### (2) Timing of Next Evaluation

Post completion