Report Number : ICRR0021257

1. Project Data

Operation ID	Operation Name
P147454	CATASTROPHE DEFERRED DRAWDOWN OPTION
Country	**Practice Area(Lead)**
Sri Lanka	Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-83570,TF-16699	31-May-2017	102,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
22-Apr-2014	31-May-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	102,000,000.00	420,000.00
Revised Commitment	102,000,000.00	87,646.60
Actual	102,000,000.00	87,646.60

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Policy Areas

a. Objectives

The Program Document (PD, paragraph 6, and Section V, paragraph 62) stated that the Program Development Objective (PDO) was “to enhance the capacity of the Government of Sri Lanka (Government) to be more resilient to the impacts of natural disasters.” This review will parse this singular PDO into the following to show how the policy areas contributed to achieving the PDO:

- to improve the institutional capacity for disaster risk management (DRM) and financial protection of the Government to be more resilient to the impacts of natural disasters.

- to increase resilience of new and existing public infrastructure to enhance the capacity of the Government to be more resilient to the impacts of natural disasters.
- to improve understanding of disaster risk by making data accessible and usable for reducing risk as part of development planning to enhance the capacity of the Government to be more resilient to the impacts of natural disasters.

b. Were the program objectives/key associated outcome targets revised during implementation of the series?

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c. Pillars/Policy Areas

Three policy areas (also termed “prior actions”) supported the Government’s efforts to strengthen its capacity in disaster risk management (DRM):

- Improving institutional capacity for disaster risk management and financial protection. It aimed to provide clear guidance on physical planning, resettlement, and local governance for DRM for local governments and national agencies engaged in fostering disaster resilience. In addition, this policy area aimed to improve understanding of the fiscal impacts of disasters and options to manage such impacts.
- Increasing resilience of new and existing public infrastructure. It aimed to improve the capacity of technical agencies to plan, design, and maintain disaster resilient infrastructure in line with the National Disaster Risk Management Plan for 2013-2017, especially critical infrastructure such as transport facilities along with schools and hospitals.
- Improving understanding of disaster risk by making data accessible and usable for reducing risk as part of development planning aimed to promote accessible and usable data for risk reduction purposes in development planning.

d. Comments on Program Cost, Financing, and Dates

Program Cost: The DPL commitment of US$ 102 million, inclusive of a front-end fee of US$ 0.51 million was disbursed at program close.
Torrential rainfall, triggered by a low-pressure zone above Sri Lanka from May 14, 2016, caused floods and landslides which affected 24 out of 25 districts, and the estimated recovery needs reached close to US$959 million. The disaster affected nearly 500,000 people, and resulted in 93 fatalities, 33 injured, and 117 reported missing. Following the disaster, the full loan amount of US$ 101.49 million, after deduction of the front-end fee (US$510,000), was transferred to the Government within four days of the Bank’s receipt of the withdrawal request (ICR pg.5) after complying with the trigger mechanism.

Financing: The International Bank for Reconstruction and Development (IBRD) financed this Development Policy Loan (DPL) with a Catastrophe Deferred Draw Down Option (Cat DDO). Funds were used to fund policy reform, through rapidly disbursed budgetary support. The deferred drawdown option made funds

available within a three-year period and only after the Government provided the trigger condition, an official declaration of a catastrophe from a natural hazard or disaster.
Borrower Contribution: There were no borrower contributions.
Dates: Important dates surrounding this operation were: on April 22, 2014 the program was approved and made effective on August 22, 2014. The country experienced flooding and landslides on May 14, 2016 and the President proclaimed a state of emergency on June 8, 2016. This triggered the condition to access the DPL with Cat DDO. On August 26, 2016 the Ministry of Finance endorsed the evidence of the trigger condition and loan proceeds were transferred to the Government on August 30, 2016. The program closed on May 31, 2017 as scheduled. There were no restructurings or Mid Term Review (MTR) because of the short duration of the single tranche drawdown.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At appraisal, the PDO was relevant to the country's development priorities. The "Mahinda Chintana – Vision for Future" was the key development policy for 2011-2016. This framework highlighted the need to develop a "culture of safety … created through systematic management of natural, technological and man-made disaster risks...Well-equipped training centers were to be established to … create awareness focusing on empowering the public with ways and means to reduce disaster losses" (PD, paragraph 30). In addition, the project effectively undertook assessments of the relevant government departments to understand the gaps in capacity and where additional assistance was required. These gaps were aligned with the policy reforms identified in the DPF and were incorporated into the design of the intervention.

At project close, the PDO remained aligned with the country's updated national development plan, Vision 2025. This plan underscored priority reforms to help the country become more prosperous. Under Section 11 on Agriculture and Sustainable Development, the country would prioritize environmental protection and disaster management (Vision 2025, p. 41) by encouraging fundamental reforms in governance. To address the country's vulnerability to natural disasters, the Government planned to improve disaster management. Steps to achieve this improvement included the disaster insurance scheme established under the National Insurance Trust Fund (NITF), which insured every home against natural disasters. The NITF would provide quick claims that would not burden the Government budget. A National Disaster Reserve Fund to finance post disaster reconstruction would be established. Hazard, vulnerability, and risk assessment would be undertaken and insurance schemes introduced for economically important sectors.

At appraisal, Sri Lanka's Country Partnership Strategy (CPS) FY2013 – FY2016 was amended to include a dedicated pillar on *Improving Resilience to Climate and Disaster Risks*, to encompass this DPL with Cat DDO, another IPF and a number of TAs (PD, paragraph 45). The PDO was consistent with the, later revised CPS Progress Report delivered in FY14, which prioritized the strengthening of Sri Lanka's resilience to natural disasters and climate change.

At project close, the PDO remained relevant to the Country Partnership Framework (CPF) FY2017-2020. The CPF would enhance the efficiency of the state, and added a strategic area to increase resilience to natural disasters and climate change (CPF, paragraph 56). The PDO directly supported this strategic area and was relevant to *Pillar 3: Seizing Green Growth Opportunities, Improving Environmental Management, and Enhancing Adaptation and Mitigation Potential*, and *Objective 3.2: Strengthening climate resilience and disaster risk management*.

Rating
High

b. Relevance of Design

The PDO was clear – "to enhance the capacity of the Government of Sri Lanka (Government) to be more resilient to the impacts of natural disasters." The policy areas and their associated set of prior actions were consistent with the PDO.

The three policy areas – Improved institutional capacity for disaster risk management and financial protection; increased resilience of new and existing public infrastructure; and improved understanding of disaster risk – were all supportive of the PDO. The set of prior actions for each policy area were consistent with the PDO. The theory of change was coherent, the causal chain in the results framework convincing and followed a logical causal chain from policy areas and prior actions to program outcomes to PDO. This is evident in the structural presentation outlined in the ICR (pg. 4) which illustrates the role of the DDO in complementing and supporting work already underway in a similar IPF operation. The prior actions are linked to three areas for support around policy reform, planning and monitoring that are cast against indicators showing how these are aligned to the various interventions, one of which in the CAT DDO.

The prior actions consisted of cabinet decisions issuing new policies that would enhance the Government's disaster resilience.

- on November 29, 2013, a Cabinet decision adopted a national policy and program on management of disasters in accordance with Section 4(a) of the Disaster Management Act. This supported the first policy area.
- on January 3, 2014, a Cabinet decision in accordance with Section 4(b) and (c) of the Disaster Management Act approved the National Disaster Management Plan. This supported the second policy area.
- on August 29, 2013, a Cabinet decision established a steering committee to monitor the national program for the common use and sharing of spatial data and information. This supported the third policy area.

While clearly aligned to the PDO, the success of the prior actions will be the degree to which these institutional structures stand up to a natural disaster event. A shortcoming of the third policy area is the role

and scope of the steering committee's activities. Formulating a committee is unlikely to improve the availability of data for development planning.
The Government designed the Comprehensive Climate and Disaster Resilience Program, which aimed at fundamental changes in and mainstreaming of DRM practices in priority sectors to improve the resilience of the country. To support this strategic resilience agenda, the Bank approved this DPL with an Investment Project Financing (IPF), the Climate Resilience Improvement Project (CRIP), and several technical assistance (TA) activities and products such as open data for resilience and technology, geospatial scale up, scaling up disaster risk financing, Disaster Risk Financing and Insurance (DRFI), Mandeni Aru basin development plan, and multi sector climate mitigation plan with support from the Japan International Cooperation Agency (JICA).

The DPL was the appropriate financing instrument because it spurred Government commitment to the DRM policy reform agenda by adopting prior actions that facilitated the Government's capacity to meet outcome indicators. The DPL with Cat DDO would provide budgetary support to the Government following the occurrence of a natural disaster that would put in motion DRM policy reforms. The standalone structure combined with the deferred drawdown option was designed to afford the Government an opportunity to use two instruments in improving its disaster management. The choice of instrument was also appropriate given the vulnerability of Sri Lanka to natural hazards and the Government's prior hesitation to use instruments accorded by the 2005 Disaster Management Act but never operationalized even after several natural disasters. One of these unused instruments was the Declaration of the State of Emergency, which the Government hesitated to use because of its perceived potential negative impact on the tourism industry. The country relied on the robust growth from tourism receipts to contribute in offsetting its current account deficit (PD, paragraph 23).

Given the nature of CAT DDOs, an important measure of their design relevance is the quality of their indicators. In this case, the project found a reasonable balance in output based indicators and steps illustrating preparedness. However, the indicators remain one dimensional with few illustrating the behavioral aspects of the reforms within the appropriate institutions. Actionable responses would have been useful as a way of showing that response behavior is different.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
• to improve the institutional capacity for disaster risk management (DRM) and financial protection of the Government to be more resilient to the impacts of natural disasters.

Rationale
OUTPUTS:

- A fiscal disaster risk assessment was published on March 2016 as "Fiscal Disaster Risk Assessment and Risk Financing Options – Sri Lanka." This assessment recommended three major risk financing interventions based on an analysis of past disaster related expenditure and risk profiles – sovereign protection, National Insurance Trust Fund (NITF) and a private insurance market – with short and long term actions. The assessment also offered global best practices, operational frameworks, and potential challenges for Government consideration.
- -A national Government circular was supposed to have been issued to local governments that outline the policies and guidelines on physical planning, resettlements, and local governance for DRM. This target was only partially achieved because the new Government (2015) changed its approach from issuing a national level circular that would define the roles of the local governments to a standard by-law that local governments would adopt, which defined their roles in regulating, supervising, and controlling disaster impacts. The By-laws were adopted by the Central Provincial Council in February 2016. The Ministry of Disaster Management conducted a workshop in October 2017 to convince the remaining eight provinces to adopt the By-Laws. Two provincial councils – Uva and Eastern and Northern Provinces – started the process of adopting the By-Laws, with the remaining six requiring follow up after project close.

The Bank sponsored Advisory Services and Analytics (ASA) were under preparation by project close:

- (i) *Disaster Risk Financing and Insurance in Sri Lanka (P166332)*, which aimed to strengthen disaster risk financing and support sustainable instruments to manage disaster related contingent liabilities. Options were identified on how to strengthen the Government's treatment of contingent liability under the National Insurance Trust Fund (NITF). A Disaster Risk Financing action plan would then build upon a draft strategy. The NITF would also need to be strengthened recognizing the frequency and extent of disaster events. The Government also requested the Bank for a new Technical Assistance to improve the sustainability and stability of risk financing mechanisms under the NITF.
- (ii) *Adaptive Social Protection System (P166770)* was initiated to inform the design of a disaster-linked social protection mechanism and allow the Government to quickly identify, enroll, and compensate disaster-affected households.

OUTCOMES:
Instead of developing a national disaster risk financing strategy (an outcome indicator target), the Government prioritized risk financing options, initiated their design, and implemented some of these options. Prioritized for implementation were:

- (i) establishing a catastrophic risk insurance mechanism for households and businesses under the National Insurance Trust Fund (NITF). The Government launched the National Natural Disaster Insurance in April 2016 to provide coverage to households, small business establishments and fishermen for damages caused to their properties and assets up to 2.5 million rupees due to major disasters except drought. The NITF paid out a total of LKR 3.4 billion (US$ 22 million) following the floods and landslides in May 2016 and LKR 1.5 billion (US$ 9.6 million) following similar events in May 2017.

- (ii) The Disaster Management Center (DMC) and the National Planning Department established an online disaster damage and loss reporting system to quickly quantify and analyze the impact of disasters, feed the data into recovery planning and budgeting process that can be used by line ministries and local governments. The reporting system was used in preparing the 2017 Post Disaster and Needs Assessments (PDNA). The DMC reported introducing improvements in the system in order to incorporate stakeholders' feedback and anticipated a July 2018 launch.
- (iii) The Government established a National Disaster Reserve Fund (NDRF) to finance emergency response, recovery, and reconstruction activities. In October 2017, the Government's development strategy, Vision 2025, identified the NDRF as a priority.

The analytical assessments and government approach to financing new markets led to a National Natural Disaster Insurance program under the National Insurance Trust Fund (NITF), which was launched in April 2016 and increased investments for risk reduction and ex-ante preparedness, and raised awareness among Sri Lanka's sector agencies in disaster risk management (DRM). The NITF paid out a total of LKR 3.4 billion (US$ 22 million) following the floods and landslides in May 2016 and LKR 1.5 billion (US$ 9.6 million) following events in May 2017.

The National Planning Department (NPD) demonstrated leadership in DRM and showed enhanced capacity to coordinate among stakeholders during post disaster recovery producing a timely Post Disaster Needs Assessment (PDNA) and timely budget allocation for recovery plans following the 2017 disaster. The NPD, in coordination with the Ministry of Disaster Management (MDM), and the DMC, led and convened stakeholders during the PDNA and post-disaster recovery planning process, which significantly improved the efficiency and effectiveness of these post-disaster processes over the last two years.

However, there were shortcomings: (i) the analytics that would have strengthened the institutional DRM capacity and the Government's financial resilience, were only just initiated at project close; (ii) there was not enough time for the scheme's impact to be evident and fully attributed to the interventions. Having acknowledged these moderate shortcomings, the progress made was considerable and justify a Substantial rating.

Rating

Substantial

Objective 2

Objective

- to increase resilience of new and existing public infrastructure to enhance the capacity of the Government to be more resilient to the impacts of natural disasters.

Rationale

OUTPUTS:

- Two (original target 9, partially achieved) basin-wide risk mitigation investment plans were developed. The Government prioritized (i) Kelani River Basin, which accounts for more than 50% of national economic activities and hosts 25% of the population; and the (ii) Mundeni Aru Basin. Eleven plans were being developed. Four plans were to be completed by June 2018 and the remaining five were to be completed by May 2019. The delay was due to the Government's reprioritization of the basins and additional work required for Kelani following the floods and landslides in May 2016. These caused severe damages and losses in Colombo and in the most populated and industrialized district of Gampaha.
- Twenty engineers (no target provided) from the Irrigation Department were trained to build computational frameworks for flood and drought risk assessments, considering variability of different future climate scenarios.
- Guidance on slope angles in new road construction was developed, meeting target. The Ministry of Highways developed manuals for (i) investigation and selection of countermeasures, (ii) design of landslide risk informed roads construction, and (iii) manual on maintenance to be completed by June 2018. These improved practices were implemented under the Landslide Disaster Protection Project of the National Road Network financed by the Japan International Cooperation Agency (JICA), and involved the Road Development Authority (RDA) and the National Building Research Organization (NBRO).
- The Bank-financed CRIP also financed stabilization of roads and slopes at vulnerable locations along key selected highways. The improved practices are now used in the Government-led projects as well.
- A national monitoring framework to measure the implementation of the plan was approved, as targeted. Published as part of "Sri Lanka Comprehensive Disaster Management Program 2014-2018 (SLCDMP) this document served as an action plan to implement the "National Disaster Risk Management Plan 2013-2017" and included monitoring indicators and methodology.

OUTCOMES:

- Investment feasibility studies from the 2 completed basin-wide risk mitigation plans were under preparation for implementation under the Government requested Climate Resilience Multi-Phase Programmatic Approach (Cres, P160005). This project was under preparation at project close.
- The basin-wide risk mitigation investment planning strengthened technical modeling and coordination capacity of the Ministry of Irrigation and Water Resource Management to better apply integrated water resource management by establishing a water resources planning unit.
- This DPL also helped build capacity to develop resilient infrastructure in the water and transport sectors. A basin-wide risk management approach addressed flood and drought risks for the water sector. New and improved design standards were introduced for the transport sector. Line ministries planned and designed infrastructure by considering climate and disaster risks. The ICR did not quantify or specify these results.
- The capacity to design resilient transport infrastructure was enhanced in technical agencies such as the National Building Research Organization (NBRO), the Road Development Authority (RDA), the Mahaweli Authority of Sri Lanka (MASL) and the Road Development Department of the Uva provincial council through slope stabilization works along critical roads and in vulnerable school premises, and the enhanced

design capacity created large demand from the Government to scale up the work nationwide. There were no targets provided but impact was noted such as for example, the RDA and NBRO jointly improved the resilience of the Southern Expressway, which was flooded and closed soon after it opened to introduce corrective measures. In a new project - the Central Expressway - the RDA collaborated with hydrological engineers to address floods and landslides risks from the early stages of project design. Private contractors also acquired skills to construct infrastructure with newly introduced slope stabilization techniques. In addition, a total of US$ 130 million was being invested in physical interventions to improve climate resilience of irrigation and flood control infrastructure, transport infrastructure, and vulnerable slopes in some selected school premises (ICR, footnote 23). Implementing agencies included RDA, NBRO, Irrigation Department, Mahaweli Authority of Sri Lanka and the Road Development Department of the Uva provincial council, who were implementing the activities on the ground under the overall facilitation by the PMU at Ministry of Irrigation and Water Resource Management.

- The Government was reported to be ready to activate the Contingent Emergency Response Component (CERC) following the disaster events in May 2017. US$ 3 million was allocated under the CERC to finance rehabilitation of damaged roads, and the draft CERC operation manual specified restoring the damaged infrastructure with resilient design.
- A national monitoring framework was endorsed as part of the Sri Lanka Comprehensive Disaster Management Program (SLCDMP), which also includes a monitoring plan and matrix for each implementing agency and was published in October 2014 (Indicator 6). The monitoring framework was approved to monitor the progress of the SLCDMP, which served as the action plan for implementing National Disaster Risk Management Plan 2013-2017 (NDRMP). The SLCDMP defined 45 output activities under 45 implementing agencies to support 4 major outcomes, aiming to mainstream DRM in various sectors. The MDM was developing an online monitoring system to compile project status more efficiently, and to be accountable for the Sendai Framework for Disaster Risk Reduction and the Rio+20 commitments.

Though the list of achievements is significant, there were shortcomings: (I) only two of the targeted 9 basin-wide risk mitigation plans were completed and the investment feasibility studies to implement these plans were only just started at project closing, indicating insufficient time to claim enhanced DRM capacity and resilience of built infrastructure; (ii) the online monitoring system for commitments against the Sendai Framework was not yet operational.

Rating
Modest

Objective 3
Objective

• to improve understanding of disaster risk by making data accessible and usable for reducing risk as part of development planning to enhance the capacity of the Government to be more resilient to the impacts of natural disasters.

Rationale

OUTPUTS:

- Geospatial data sharing platform, called RiskInfo was established and supported by the Disaster Management Center (DMC), meeting target. RiskInfo was launched in December 2017 with participation from nearly 30 government agencies involved in sectoral planning and development. RiskInfo made spatial data available to the public to inform policy making and planning for disaster risk reduction. It also served to mainstream disaster risk information for sectoral development and planning. In the past, there was no inventory to locate data sets developed through risk assessments since available risk data were managed by disparate organizations without knowing who was developing which types of datasets. The Bank and the Global Facility for Disaster Risk Reduction (GFDRR) through its Open Data for Resilience Initiative (OpenDRI) assisted DMC to design the portal and trained technical staff from related agencies to maintain the system.
- The national level risk profile was now available on RiskInfo as well as the ThinkHazard platform23 meeting target. Risk information previously available at varying levels of data resolution were aggregated at national level and made readily available, providing easy reference on hazard types and potential impacts at national scale.
- RiskInfo has been used by government line ministries and agencies, and data used to inform development planning in sectors meeting target. Since the soft-launch of RiskInfo in January 2016, there have been 1,000 accesses by January 2018, 40% accessed in Sri Lanka, and 60% from overseas. There was a spike in access in April 2018, with 92% new visitors.

OUTCOMES:

- RiskInfo enabled government institutions to share, access, and maintain data more efficiently for broader development planning. The open data sharing platform made the fundamental first step of collecting and sharing risk information in one place. The platform was populated with spatial data sets that the government agencies shared, and the platform was expected to continue to grow with additional datasets, such as new sets of risk data generated under the CRIP and other Bank TAs. As part of the Open DRI initiative, the Bank’s TA supported DMC, the Irrigation Department, the Survey Department, the National Building Research Organization and local universities to generate risk information, especially the exposure data. At project close, the DMC was working with the Department of Census and Statistics and the Survey Department to conduct a nationwide disaster exposure mapping initiative using the technical knowledge and skills gained through the Open DRI engagement. Once completed, the 11 river basin level risk profiles were expected to be uploaded to RiskInfo.
- The national level risk profile informed decision makers and practitioners to plan and design countermeasures. This profile also informed the public to better understand the potential impact of different types of disasters on the country.

- Government agencies used RiskInfo for risk-informed sector-based development works (e.g., line ministries and agencies such as the Ministries of Irrigation and Water Resource Management, Megapolis and Western Development, Disaster Management, Local Government and Provincial Councils, and Highways. The Ministry of Megapolis and Wester Development analyzed historical flood inundation maps from RiskInfo and prepared appropriate flood mitigation plans for Colombo city. Universities and researchers were reportedly accessing data for research purposes.

While at project closing, the nationwide disaster exposure mapping initiative still didn't have data from all the river basin level risk profiles, considerable progress had been made in instituting the necessary structures and there is evidence to suggest the profiles will be ready in the short to medium term. Thus, achievement of the objective is rated Substantial.

Rating
Substantial

5. Outcome

The objective was highly relevant to the country context and well aligned with both the Government's and the World Bank's strategies. Program design was substantially relevant to enhancing the resilience of the Government to address the impact of natural disasters. The first and third objectives were rated substantial as while they only partially achieved their targets, considerable progress was made and it is likely that the targets will be met in the short to medium term. The second objective is rated Modest given the uncertainty around the implementation and application of the basin plans. There is insufficient evidence at present to be sure the monitoring system will function as required and the plan preparations are ongoing. This results in an overall Outcome rating of Moderately Satisfactory.

a. Outcome Rating
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The following posed modest risks to the sustainability of the project's development outcomes:

- **Institutional Capacity and Political Risks:** There is a risk that the high turnover of government officials may affect current institutional commitments. There was a change in approach leading to the underachievement of an outcome indicator and a reorganization of the main counterpart agency for this operation when the Government changed course following the Presidential Election in May 2015 and the General Elections in August 2015. The National Planning Department was the main focal point for the DPL was under the Ministry of Finance and Planning at appraisal. With the change in government in 2015, the department was moved to the Ministry of National Policies and Economic Affairs. The External Resource Department, the main counterpart for development partners, was also moved from Finance to this new Ministry. Prolonged deployment of new staff meant longer transition to new systems. In addition, there is need to follow up on the Government's commitment to follow up on the adoption of standard By Laws by provincial councils under its Policy Action 1. These risks would be mitigated under the follow-on project such as CRIP and other ongoing Bank-financed TA projects and those by other donor partners to improve institutional capacities and monitoring/reporting mechanisms.

- **Country Risk**: The CPF noted that fluid politics posed a modest risk to implement fiscal consolidation programming as part of the Government's efforts to achieve Middle Income Status in the near future. Competing priorities could come from tax policy reform and realization of contingent liabilities (CPF, paragraph 22). The country remains at risk from recurring exposure to the impact from climate change. There remained a moderate level of risk in the Government's capacity to respond to frequent climate-induced disasters. The Government has taken proactive measures to improve both fiscal and physical resilience. The Government committed to further strengthening the fiscal resilience through a variety of risk finance instruments but frequent and recurrent disaster events may slow down the achievement of expected outcomes.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The reform program was underpinned by analytical and technical work to support an integrated program to strengthen Sri Lanka's disaster risk management. That program included this DPL, a Bank financed Investment Project Financing (IPF) and several technical assistance (TA) activities. The DPL and IPF were prepared in parallel based on a strategy to strengthen the Government's fiscal and physical resilience. The Government offered its National Policy on Disaster Management, and National Disaster Management Plan, while the Bank's Country Partnership Framework prioritized the resilience agenda. The policy matrix of the DPL was designed to address critical gaps in DRM along the areas of financial resilience, physical resilience, and understanding risks through policy reform accompanied by project investments.

The Bank and the Government advocated reforms that were well informed by analytical work. The Bank's knowledge base in disaster trends, analysis of the region's existing DRM framework, and ongoing risk reduction efforts were published in a study *Disaster Risk Management in South Asia: A regional overview.* This study focused the Government on investments in reducing disaster risks. With the commitment and effort of the Government, the operation was prepared in six months. The macroeconomic framework was deemed adequate at appraisal (ICR, paragraph 5).

The Bank coordinated related technical assistance activities with development partners such as the Japan International Cooperation Agency (JICA)'s Landslide Disaster Protection Project of the National Road Network. This coordination involved the Road Development Authority and the National Building Research Organization and ensured joint efforts to achieve the resilience of new and existing public infrastructure (roads) (ICR, paragraph 40).

The Team was recognized by the South Asia Region Vice Presidential Unit (VPU) for the project's integrating both fiscal and physical resilience in its design and effective use of experts from transport, environment, finance and market, and DRM to inform its innovative design. However, a minor shortcoming in design was reflected in under assessing the level of risk associated with Government commitment following a change after the 2015 election. That change resulted in some policy change and government reorganization, which contributed to underachieving some of the PDO outcome indicators.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank conducted regular supervision missions, seven in all, combined with supervision missions of CRIP and pertinent TA. These supervision missions facilitated dialogue with the Government, technical counterparts, and other relevant stakeholders to prepare a new project (CRIP) and other TAs to better support the Government's resilience agenda and achieve the PDO. GFDRR provided US$ 2.2 million under the Open Data for Resilience Initiative (OpenDRI) to support the design of the RiskInfo portal and train technical staff from related agencies to maintain the system and achieve the PDO. Donor partners have expressed interest in partnering with the Bank to scale up impact of the project outcomes. For example, a new project was under preparation with co-financing from the Asian Infrastructure Investment Bank. Another example was reported donor partners' interest in flood risk mitigation investments as part of the basin-wide investment plans generated under Policy Action 2 to achieve the PDO (ICR, paragraph 57).

Implementation Status and Results reports (ISRs) were regularly filed to document progress of the indicators although some delays in meeting some indicators were not adequately reported since some indicators were not fully achieved by project close. The Monitoring and Evaluation (M&E) design could have captured the impact that delays and new approaches in policies following the 2015 election had on outcome indicator targets.

Following the floods and landslides in May 2016, funds were released in a timely manner (see Dates above). After project close, the Bank continued to support the Government to ensure unmet indicators were achieved after project close through ongoing two Advisory Services and Analytics (ASAs) for Action Area 1; continued support under CRIP for Action Area 2; and a new TA under preparation to further generate reliable risk information under Action Area 3.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The Government laid the foundation for its DRM policies under the 2005 Disaster Management Act but was not operationalized even after several natural disasters following its passing and this DPL. This DPL was meant to give teeth to implementing the resilience policy agenda. The Government demonstrated strong early commitment to the reform program as evidenced by the timely execution of the prior actions. Delays occurred following the 2015 elections already leading to achieving most outcome indicators (six of 9). Note that Sri Lanka was hit by recurrent disaster events, conducted post-disaster response and recovery works over the course of the operation period. Government agencies' efforts to build disaster preparedness capacity and reconstruct after a disaster hit, were often interrupted by new disaster events before their initial work could be fully completed. Notwithstanding the lack of an operational overall Disaster Management Act, the Government was able to raise the standard level of institutional capacity over the last few years, and was institutionalizing improved practices.

Disappointingly, under this operation, M&E results were not fully utilized to support the Government's achievement of indicators, and the risks of delay were underestimated. A stronger M&E mechanism could have helped achieve more of the operation's targets, and could have made the outcomes achieved more visible. The monitoring framework for the resilient investments was developed and cleared under indicator #6; however, the framework would benefit from a review and improvements based on the M&E challenges identified in this operation. Overall, the Government's M&E capacity would have benefited, particularly implementation and utilization of M&E results, needs to be improved.

Overall, the Government made significant achievements under the policy matrix, and its commitment to scale up investment in the resilience agenda would have continued. The Government was increasing the investment in DRM activities through its own budget and partnerships with development partners.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

The PD identified the Ministry of Finance as the implementing agency. The National Planning Department (NPD) in the MOF was the implementing focal point at appraisal. After the government reorganization following the 2015 Government elections, the implementing agency shifted to the Ministry of National Policies and Economic Affairs. The NPD continued to lead the coordinating role with the Ministry of Disaster Management and other line ministries to achieve the PDO and indicators. The NPD led the PDNAs and recovery planning following disaster events in 2016 and 2017. The NPD led the conduct of the PDNA in 2017, prioritized cross sector recovery needs, and enjoined national experts from line ministries to complete the assessment.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The nine results indicators and targets were specific, measurable, and linked to the prior actions stipulated in the policy matrix and achieving the PDO. Indicators were realistic, time bound, and designed to be measured at closing, consistent with the Results Framework.

b. M&E Implementation

The M&E was not implemented as designed. Only those 6 outcome indicators that were supported by Bank financed TA were regularly reported and monitored. The 3 other indicators (3,5, and 6) had limited reporting because of key personnel changes in the agencies charged with monitoring these indicators following the 2015 elections.

c. M&E Utilization

The Government and the Bank team used M&E data to follow up on project progress. However, when the Government decided to prioritize risk mitigation investment plans for two critical river basins rather than the original eleven, and when the new Government decided to mandate local governments to adopt province level by-laws on physical planning, resettlements, and local governance for DRM rather than issuing a national government circular, these changes during implementation were not captured to adjust outcome targets. As a result, some target outcome indicators were not fully achieved at project close

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

Environment: The project was covered by a separate Bank Operations Policy – OP 8.60. Since DPL proceeds were not designed to finance specific investments, and had no tangible investment footprint, the environmental and social safeguards for DPLs are spelled out in 8.60, Paragraph 9: Poverty and Social Impacts, and Paragraph 10: Environmental, Forest, and Other Natural Resource Aspects, which require the Bank to determine whether specific country policies supported by the DPL are likely to have significant poverty/social/environmental effects.

Following OP 8.60, the PD (paragraphs 92-94) determined that specific actions supported by this DPL were not expected to have significant effects on the environment, forests or other natural resources. They would instead strengthen and complement existing laws and regulations on environmental management, such as the National Environment Act (NEA), particularly in ensuring that investments consider DRM and climate change adaptation measures. In addition, a comprehensive National Climate Change Adaptation Strategy (NCCAS) laid out a prioritized framework for action and investment for 2011-2016 that would move the country toward climate resilience. The NCCAS supported Sri Lanka's national development strategy and aimed to ensure its success and sustainability.

b. Fiduciary Compliance

Financial Management: The ICR does not mention any financial management issue with the withdrawal of the loan proceeds, the deposit of the loan amounts in the Government's budget management system, or the use of the loan proceeds. The ICR does not mention any financial audit conducted either.

Procurement: DPL proceeds were provided as budgetary support to the Government and not earmarked for any agency or purpose. Hence, no special procurement requirements were issued. No procurement issues arose.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---

Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

Five lessons were drawn from the ICR: (paragraphs 80-84)

- A rational government policy on disaster resilience that identifies actionable measures could be used to reinforce resilience by bringing together a variety of financing instruments. For example, this operation called on the budgetary support from a DPL to help push the Government's disaster resilience policy reform by making available budget support during recovery operations, providing less strain on government coffers. Second, a deferred drawdown option could provide a multi-year window combined with rapid release after triggering an agreed upon condition. Third, an IPF could show examples of how to implement resilient infrastructure design, in this case road design. Fourth, complementary TA grants such as the Open DRI, could help launch an open platform to amplify its benefits.
- A drawback in combining instruments was relying on disparate M&E designs of individual instruments to monitor DPL outcome indicators. There was a need to synchronize timelines to meet project requirements. In this case, 3 of the 9 PDO indicators were not monitored well because these were implemented outside the Bank financed TA. Moreover, targets under a 5-year IPF implementation period may be met in Year 4 but remain unmet under a 3-year DPL program.
- A DPL with a Cat DDO instrument could induce DRM policy making. In this case, a long prepared National Disaster Management Plan and long discussed National Spatial Data Infrastructure concept were pushed along as prior actions under the project. After the prior actions were achieved, TAs supported policy implementation of the plan and the spatial data infrastructure.
- A DPL with a Cat DDO should adopt some flexibility, such as what-if scenarios, to respond in a timely manner to changes during implementation including unexpected shifts in government priorities, difficulties in enforcing conditions, or improved practices introduced by the project. At present the DPL with Cat DDO does not allow practical ways for both clients and task teams to reflect changes in targets and policy shifts leading to the achievement of the PDO. For example, in this operation, the Government reasonably prioritized two critically important basins rather than meet the original target of nine basin plans but such change resulted in partially achieved targets. Another example was the Government's decision to replace a national circular and instead require local governments to adopt standard by-laws that recognize their important role as first

responders and primary actors in implementing DRM measures. There was no restructuring option, for example, that could favorably adjust the results framework. Another what if scenario could be alternative triggering actions for the drawdown option since the government had never issued a disaster declaration even though it had the 2005 Disaster Management Act in place.

- A DPL with a Cat DDO could showcase effective coordination of DRM related policy actions between government financial and planning authorities. This coordination could be reflected in timely and appropriate budget allocations during the post-disaster emergency and recovery periods. For example, in this case, MoF and MNPEA elevated the DRM agenda by clarifying roles in strengthening financial resilience and coordinating the overall DRM agenda. With enhanced capacity, the NPD lead the PDNA and recovery planning process together with the Ministry of Disaster Management, facilitating the timely budget allocation for emergency and recovery works.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was well written, followed OPCS guidelines, and adequately presented the institutional and policy reforms. Accounting of the project results – the Results Framework Analysis (section F of the data sheet) – was complete, well annotated, and concise. While assessment of project results was evidence based, results oriented and candid, the PDO indicators in the results framework could have been more clearly expressed as outcome rather than outputs. For example, the establishment of the geospatial data sharing platform could have been expressed in terms of the resulting utilization of the data in disaster resilience components of adopted development plans. The policy reform was well aligned with the national development agenda and the country’s vulnerability to natural hazards as the motivation for reform was well explained. Strength of government commitment to the reform effort was well documented. There is robust discussion (ICR, paragraphs 32-46) of the results from fulfilling prior actions, progress made with policy areas, and outcomes achieved relative to PDO. Analysis was detailed and insightful. Discussion was candid and cited shortcoming in implementing and utilizing M&E effectively. Benefits from complementary Bank financed TA were well noted. A minor weakness in the ICR was attributing the outcome to solely the DPL when complementary instruments (IPF and TA), also augmented capacity to operationalize policy reforms.

a. Quality of ICR Rating

Substantial