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PROJECT PERFORMANCE ASSESSMENT REPORT

INVESTING IN SOCIAL CAPITAL: LESSONS FROM A DECADE OF VILLAGE DEVELOPMENT IN SRI LANKA

A Project Performance Assessment of the Gemi Dirya Project in Sri Lanka (2004-2010)

March 13, 2015

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Sri Lankan Rupees (Rs.)

2004	US$1.00	=	Rs. 76.28
2005	US$1.00	=	Rs. 83.17
2006	US$1.00	=	Rs. 92.19
2007	US$1.00	=	Rs. 104.21
2008	US$1.00	=	Rs. 107.51
2009	US$1.00	=	Rs. 114.84
2010	US$ 1.00	=	Rs. 108.43

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CBO	Community Based Organization
CDD	Community-Driven Development
GDF	Gemi Diriya Foundation
GND	Gram Niladhari Division
GOSL	Government of Sri Lanka
HH	Household
IAS	End line assessment study of 2010
ICR	Implementation Completion Report
ICRR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Independent Evaluation Group
ISN	Interim Strategy Note
IEGPS	IEG Public Sector Evaluation
MIS	Management Information System
MTR	Mid-term Review
PAD	Project Appraisal Document
PPAR	Project Performance Assessment Report
VO	Village Organization
VSCO	Village Savings and Credit Organization
VSHLI	Village Self-Help Learning Initiative

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Contents

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Boxes

Tables

Figures

Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Highly Satisfactory	Satisfactory
Risk to Development Outcome	High	High	Significant
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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IEG Mission: Improving World Bank Group development results through excellence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Acknowledgements

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The review was overseen by Marie Gaarder, Manager, Public Sector Evaluation. It was peer reviewed by John Eriksson (Former Country Director, USAID, Sri Lanka and Senior Evaluation Consultant, IEG) and Panel Reviewed by Judyth Twigg (Professor, Virginia Commonwealth University and Senior Evaluation Consultant, IEG).

Preface

This is a Project Performance Assessment of the Community Development and Livelihoods Improvement "Gemi Diriya" phase I project that became effective in October 2004 and that closed in March 2010, one year after the original planned closing date. Estimated project costs were US$68.9 million, including US$51 million of IDA financing and US$11 million of borrower financing, with the remaining US$7.8 expected to come from community contributions. Actual project finance was US$58.11 million or 83 percent of total anticipated project costs. The IDA grant was fully disbursed; however, the borrower contribution was half of what was anticipated owing to needs associated with the 2004 tsunami and the roll-out of its national rural livelihoods program towards project end. Community contributions were also roughly half of what were anticipated since not all works had been completed by project close.

The assessment is based on a review of all relevant documentation, interviews of Bank staff at headquarters and in the country office, and the findings of an Independent Evaluation Group (IEG) mission which visited Sri Lanka in June 2014 to discuss performance with officials engaged with the project (including Gemi Diriya Foundation staff active during the first phase), representatives of donor organizations engaged in rural development in the country, and other stakeholders. The IEG mission administered a household survey to 502 randomly selected households in fifty Gemi Diriya villages. Focus groups, group interviews and individual interviews were also conducted in twelve of the fifty randomly selected villages to triangulate perceptions within and between key stakeholder groups (Divisional secretaries, village administrators – the Grama Niladari, local elected officials – the Pradeshi Sabhas, the Board of Directors of Village Organizations formed under the project, and women's groups). While many of the names of persons met during the mission are included in Annex C, the names of Survey Respondents and Focus Group Participants are withheld from the list in line with IEG's evaluation and ethics protocols regarding confidentiality.

Copies of the draft PPAR were sent to Government officials and implementing agencies for their review. A copy of the Borrower Response can be found in Annex D of this report.

Executive Summary

This is a Project Performance Assessment of the Sri Lanka *Community Development and Livelihoods Improvement project* implemented between 2004 and 2010 in three of Sri Lanka's southernmost provinces. Referred to as the *Gemi Diriya* project - which in Sinhalese translates as "Raising the Village" - the project was one of the first and since only truly participatory development programs supported by the World Bank in Sri Lanka. Designed as a three-phase twelve year IDA-supported adjustable loan, the overall aim was to support the Government's strategy of reducing rural poverty and to promote sustainable and equitable rural development. The objective of the first phase – the phase under review-- was to target poor communities in the Uva and Southern provinces and improve their livelihood and quality of life by enabling them to build accountable and self-governing local institutions and to manage sustainable investments.

This is a substantially relevant objective developed during a period of relative enthusiasm for deepening Sri Lanka's devolution process. It supported a bottom-up approach that sought to increase the resilience of the poorest by devolving decision-making power and resources to representative and inclusive village organizations. A parallel aim to strengthen selected local governments was also highly relevant but under-prioritized as part of this process. *Project design was path breaking and rated substantially relevant* by this review with the acknowledgement that relevance waned over the course of implementation owing to the changing political landscape. Methods employed to target poverty were unmatched in Sri Lanka at the time of design—the project used an Unmet Basic Needs Index to select the project villages and a participatory poverty mapping exercise to identify the poorest of the poor at the household level in participating villages. However the Gemi Diriya Foundation, founded and financed by the project, ultimately proved antithetical to the Government's own vision for poverty reduction which retrenched responsibility for village development within its civil service.

The Overall Project Objective of targeting poor communities in the Uva and Southern provinces and improving their livelihood and quality of life was highly achieved. As validated by IEG, an estimated 67 percent of the project constituency was poor (and 6 percent of this group could be characterized as poorest of the poor). The project financed the development of 1,034 savings and credit organizations which gave 60-65 percent of all participating households access to new or expanded forms of savings or credit. The end line assessment found that participating households experienced, on average, a 41 percent incremental increase in income as compared to households in control villages. According to assessment, 78 percent of participating households used the financing to initiate or expand agricultural income generating activities, as well as non-farm activities. IEG's household survey suggests that a higher level of financing was used to smooth consumption than was reported: IEG's Household Survey found that only 50 percent of the surveyed sample used their loan for the development or expansion of agricultural activities or investment in non-farm activities. With average loan sizes set at US$40-US$400, few beneficiaries were capable of diversifying their household income; only 5 percent of the surveyed population reported investing in high value commercial crops.

Complementarity of subprojects to the savings and loan schemes contributed to this effect, including an increased level of access afforded by the construction of 1,415 infrastructure projects. A perception survey conducted by IEG of both participating and non-participating households found that 77 percent of participating households reported that their quality of life had improved (due to the asset) as compared to 42.5 percent of households that did not participate in project activities. The most frequently reported benefits include improved access (to markets, government, financial, health and education services), time savings, and opportunities to expand domestic productive activities, such as home gardening and brick making. Respondents who expressed dissatisfaction with the water projects pointed to poor water quality and insufficient supply during the dry season. Dissatisfaction with the provision of rural roads was related to their short length and location.

The project's sub-objective of enabling these communities to build accountable and self-governing local institutions was substantially achieved. The project supported the establishment of 1,034 village organizations compared to a target of 650 and an equal number of Savings and Credit Organizations as compared to 400 planned. The project's M&E system did not include qualitative indicators capable of capturing the level at which these institutions were *accountable* and being *effectively self-governed*, however. As such, IEG's Household Survey was designed to investigate this aim. The project posited that accountable organizations would promote social inclusion by facilitating wide-scale participation in decision-making and priority setting and by ensuring that project benefits are distributed equally. IEG found that the program was highly socially inclusive of the poor – and also instructive – with regard to the challenges it faced in reaching the poorest of the poor. Based on self-reporting at the household level, IEG estimates that, on average, 70 percent of a consenting village's population participated in Village Organization activities during project implementation while the poorest of the poor may have been reticent to join the program for fear of losing their welfare (Samurdhi) benefits. IEG was unable to ascertain whether this fear was justified.

Accountable organizations would also promote transparency around the use of funds, their allocation, and the quality of services provided. The project's end line assessment found that 93 percent of participating households agreed that: "*People are informed about how development funds are spent on village development*." Less than 1 percent of this population, at the time of project close, completely disagreed with this statement. The Gemi Diriya model was governed by a set of rules, regulations and systems designed to promote transparency and accountability between the communities and service providers. Specific features included social Audit sub-committees that conducted input and expenditure tracking and a report card system that tracked the performance of the village governing bodies and service providers. IEG's Focus Group Discussions revealed that beneficiaries were highly satisfied with these project supported systems. Five years after project close, however, villagers reported being less informed about how development funds are spent: just under 50 percent of all surveyed households expressed disagreement with this statement repeated by IEG in 2014, including 35 percent of the surveyed population that strongly disagreed.

IEG also confirmed that the project effectively targeted and was meaningfully inclusive of women. The IEG Household Survey found that, on average, women constituted 68 percent of the Savings and Credit scheme membership and Focus Group Discussions confirmed that women assumed key leadership roles in the organizations. Loans were often taken by women for needs other than her own -- suggesting that more research is needed on intrahousehold decision-making and its effect on women's welfare in the areas targeted by the Gemi Diriya project in Sri Lanka.

The project's sub-objective of enabling these communities to manage sustainable investments was substantially achieved. Five years after project close, IEG found that, on average, roughly one out of every two village households in the former Gemi Diriya villages (46 percent) still participate in Gemi Diriya activities (mainly the Village Savings and Credit Organization). The emphasis placed on transparency and accountability is one of the explanatory factors as to why the revolving funds have been maintained. Information on current funding levels, allocations and loan recovery was publicly available in eleven of the twelve Focus Group villages visited by IEG. Based on self-reporting, IEG also found that the community infrastructure developed under the project was, for the most part, being maintained. Mechanisms for cost recovery were built into the water supply schemes. Similar mechanisms were not developed for roads however. Generally, village organizations have been reluctant to invest their savings in infrastructure repair, with some exceptions. In Sri Lanka, communities utilize a caretaker system which provides a nominal payment for operations and maintenance of infrastructure which varies across village organizations.

Efficiency is rated Modest. Considering a range of infrastructure types and comparing them to equivalent government contracted works, the project produced an average relative savings of 36 percent. Data collected by the Infrastructure Unit of the project's implementing agency and verified by the end line assessment found that the unit costs of government constructed roads far exceeded those of the project (although part of the savings observed is derived from community contributions). Social and public accountability mechanisms, including participatory budgeting, report cards, social audits and expenditure tracking increased the efficiency of the procurement of goods and services. These features also contributed to the resilience of the infrastructure. Mechanism for the operations and maintenance of road infrastructure were less efficiently designed than other parts of the program however. The project did not conduct an economic rate of return analysis at appraisal and IEG was not able to obtain the economic analysis to validate the ex-post rate of 30.5 percent reported in the ICR.

Risk to Development Outcomes is rated Significant. While there was notable poverty impacts achieved through the project, efforts to federate the village organizations to heighten their impact have been stalled. Facets of the program that effectively supported the identification and discrete targeting of the poor have not been replicated by the national rural poverty reduction program. Investments made in training a cadre of rural service providers in community driven development techniques has been undermined by the dismantling of the project foundation. Factors are primarily attributable to the political economy prevailing at the time and Government's own approach to addressing poverty that were counter to the envisaged evolution of community development under CDD approach. A country that is not included in the Bank's Fragile and Conflict Affected State List – the transition between the first and second phase could have benefited from a fragility assessment or a sector political economy analysis, especially given the sensitivity of the country's decentralization process.

Bank Performance is rated Satisfactory. Project preparation was informed by a pilot scheme and further tested in an initial batch of villages located in different geographical settings. Valuable skills were applied in supervision which focused on learning and experience sharing. There was a high level of innovation in the project and creative use of experience from elsewhere.

Borrower Performance is rated Moderately Satisfactory. The Government exhibited strong commitment to the principles of participatory rural development during project design and throughout early stages of implementation. Its support waned however as the project progressed as demonstrated partially by the 50 percent reduction in committed borrower financing. Principles and practices that contributed to the project's poverty impacts – such as participatory poverty mapping, pro-poor group formation, strong facilitation, and social accountability tools - have not been effectively integrated into the subsequent design of the national rural poverty program. The project's implementing agency – the Gemi Diriya foundation – effectively oversaw and implemented village development activities but a decision to disband the entity has eroded the initially demonstrated returns on the program's human and social capital investments.

Lessons

- **Programmatic Approaches that involve multiple stages of lending require iterative analysis of national priorities which can be interpreted through political economy analyses. This iterative analysis is especially critical in areas or countries that are affected by fragility or conflict.** In the case of Gemi Diriya, sensitivities increased alongside efforts to scale-up a village empowerment model as the proposed federated system began to resemble too closely a parallel structure of Government. Hostilities increased sensitivities towards the composition of locally elected bodies endowed with decision-making power (and funding) designed to more effectively identify and respond to village development priorities.

- **A relatively autonomous implementing agency allowing greater flexibility than a line agency may be very valuable for testing new participatory models but the roadmap of its evolution towards sustainable institutionalization, i.e. folding it back into a government institution, needs to be planned in advance and then later, if necessary, adapted as the political and economic environment evolves.** The use of a semi-autonomous implementing agency was effective in implementing an innovative new approach to rural development in Sri Lanka, but the approach lacked a transition plan and a strategy for communicating the tested merits of the new model to policy makers. Staff trained in community driven development principles ultimately found their skills to be "unsellable" within the national rural service delivery model The per unit staffing costs of the model also would have required some reconfiguration in order to bring it to scale.

- **Continuity of community support up to a defined point of graduation - that includes mechanisms for involvement of the poor and the marginalized - is important for longer term sustainability of participatory community development processes.** The Gemi Diriya model was designed as a self-selecting vehicle for poverty reduction whose activities would gradually lose appeal to households moving up the income ladder. Household graduation could generate and free up resources for the remaining poor. But sustained outreach and support for inclusive participation in local decision-making across several rounds would be needed to reach the poorest of the poor.

- **Synergies between the provision of financial services and complementary infrastructure investments, carefully designed, can offer compounded community welfare benefits.** In the case of Gemi Diriya, water supply projects provided an additional critical input needed to complement the financial investments made in agricultural (irrigation) and non-farm (brick-making) activities. The improvement of rural roads further supported an enhanced return on investments by improving market access.

Caroline Heider
Director-General
Evaluation

1. Background and Context

1.1 The Gemi Diriya project was developed during a relatively peaceful period of Sri Lanka's recent history following the internationally mediated 2002 ceasefire agreement between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) and just prior to the December 2004 Tsunami and the resumption of warring activities (2006-2009). A series of successive negotiations culminating in the ceasefire agreement gave rise to the election of a new Administration that was private sector oriented and reform minded. During this interim period, Sri Lanka began to experience a gradual economic recovery with an average annual growth rate of more than 5 percent. Yet at the same time, 25 percent of the population was estimated to be living below the national poverty line, with large disparities among regions, and a significant level of vulnerability reported within rural areas (World Bank, 2003).

1.2 Sri Lanka is an outlier in the South Asia region. It was one of the first developing countries to provide universal healthcare and education to its population, and as a result boasts some of the highest human development indicators in the region, including many that are on par with developed economies. Access to services, on the other hand, was and remains inadequate. At the time of project design, 38 percent of poor households had access to electricity, 55 percent to safe sanitation and 61 percent to safe drinking water. Access to technical education and training was low in poor regions. And the lack of efficient targeting by the State's social protection program continues to limit the availability of meaningful levels of support for the poorest. In 2004, 60 percent of Sri Lanka's population was receiving benefits from Samurdhi, its national welfare scheme. In 2013, that figure had declined to 47 percent, but remains significantly out of step with World Bank corroborated poverty figures.

1.3 To more effectively provide goods and services to the rural poor, Sri Lanka's Poverty Reduction Strategy (2003) proposed that the role of the state needed to change from that of a service "provider" to a "facilitator" of private sector activity to free up public resources and to more effectively reduce poverty. It would achieve this by reforming the public administration, improving transparency and accountability and continuing to support the decentralization process launched in 1987 under the 13th Amendment to the Constitution (accompanied by Provincial and Local Acts).

1.4 The process had endowed Provincial and locally elected (Pradeshiya Sabha) officials with a degree of authority, but village level systems remained aligned with Sri Lanka's parallel system of appointed authority, and as such, were ill-equipped to participate and effectively interact with the elected schemes. At the village level, community based rural development and farmer societies have historically performed various service delivery functions that while constitutionally recognized, lack legitimacy and representation of the village population. Women's Societies were also in existence but were weak and mainly oriented towards social welfare activities rather than bolstering savings and investment. Concomitantly, there was no mechanism at the village level to promote accountable service delivery – a factor that was contributing to lower than desired returns on government funded public infrastructure investments.

1.5 The Gemi Diriya project was designed to support the Government of Sri Lanka's strategy of reducing rural poverty and promoting sustainable and equitable rural development by supporting: (i) better access of the poor to basic social and economic infrastructure and services and support for productive activities; and (ii) the development of policies, rules, systems, procedures and institutional arrangements that would allow the government to transfer funds directly to communities and provide them with technical and other support on a demand-driven basis. It would do this by supporting the development of village organizations and by endowing these organizations with funding for demand-driven village infrastructure investments and village based savings and credit organizations that would promote financial inclusion of the poor.

2. Objectives, Design, and their Relevance

2.1 Designed as a three-phase twelve year IDA-supported adjustable program, the overarching objective of Gemi Diriya was to "support the Government of Sri Lanka's strategy of reducing rural poverty and promoting sustainable and equitable rural development through: (i) better access of the poor to basic social and economic infrastructure and services and support for productive activities; and (ii) the development of policies, rules, systems, procedures and institutional arrangements that would allow the government to transfer funds directly to communities and provide them with technical and other support on a demand-driven basis".

2.2 The objective of the Gemi Diriya Phase I – the phase under review-- was to target poor communities in the Uva and Southern provinces and improve their livelihood and quality of life by enabling them to build accountable and self-governing local institutions and to manage sustainable investments.

2.3 With total costs estimated at US$69 million, the project was designed to spend the bulk of these funds (US$49.5m) on Village Development, which included the development and strengthening of new participatory and inclusive village organizations (VOs), the funding of community sub-projects, and the capitalization of Village Savings and Credit Organizations (VSCOs). An additional US$5.7m was designed to be spent on building the capacity of local agencies and technical support organizations. Emphasis was placed on introducing social and public accountability mechanisms to enhance equity and efficiency in the local procurement of goods and services and to demonstrate the feasibility of this approach for future local development planning. Overall project management costs were underestimated– at US$2.5 million with actual costs for project coordination management at the national, provincial and district level totaling US$4.7 million by project close. And a small amount of financing (US$1.3m) was directed toward the piloting of an Innovation Seed Fund which was designed to incentivize innovation in the agricultural sector.

2.4 The actual overall project costs were US$58 million as compared to US$69 million as planned. The IDA grant was fully disbursed, however both the borrower and the community contributions were less than anticipated. Actual borrower financing was half of the amount committed at appraisal (US$5.3m versus US$11m) owing to two factors: funds were diverted after the Tsunami to support recovery operations and later to directly support Gama Neguma communities that were not part of the Gemi Diriya project. The actual community contribution was also roughly half of what had been anticipated (US$3.6m versus US$7.8) since not all works had been completed by project close.

IMPLEMENTATION ARRANGEMENTS

2.5 A community driven development program, the project placed the village at the center of its organizational structure: facilitation services were designed to oversee the formation of healthy village organizations – endowed with elected leadership, inclusive membership, seed capital and the skills necessary to manage their new found decision-making, savings and investment capacity.

2.6 The first phase of the project supported the development of 1034 Village Organization (VOs) which were constituted under the country's Companies Act and governed by an elected Board of Directors comprised of members of the village. Each Village Organization was also endowed with a financial arm, called a Village Savings and Credit Organization (VSCO), established for the purpose of savings and recurrent investment. The project supported the federation of the Village Organizations at the district level. Beneficiaries belonging to the VO also periodically participated in a Maha Sabha, or general assembly meeting.

2.7 Facilitation services were provided by a project financed Foundation – the Gemi Diriya Foundation – which by project end included 500 skilled and trained young professionals, of which 350 were social mobilizers (living and working in the villages). Recruitment was competitive; the recruitment strategy included an offer of relatively high wages to attract young degree holders eager to work hard and make a difference. Designed as a youth oriented skills development center, the Foundation was appended to the envisioned twelve year program whereby staff would acquire skills in all areas of CDD type project implementation, including, inter alia, participatory appraisal, community contracting and local funds management. Staff were hired for one year intervals against which point an internal human resource function would gauge and grade their performance, with poor performers facing a possible non-renewal of their contract.

Relevance of Objectives

2.8 Was Gemi Diriya's first phase objective—of enabling the targeted communities of Uva and Southern Provinces to improve their livelihoods and quality of life by building accountable and self-governing institutions and to manage sustainable investments – relevant? This assessment finds that this objective was highly aligned with the country's strategic vision for growth, peace, shared prosperity and unity as expressed in the 2001 CAS and its Poverty Reduction Strategy and as such, was **Highly Relevant** at the time of Project Design.

2.9 The intensification of ethnic strife in the 1980s, and Tamil separatist demands backed by militant action, arose in large degree from a sense of being marginalized within Sri Lanka's centralized state system accompanied by policies and practices viewed as discriminatory to Tamils (e.g. public sector employment, business regulations, university admissions, language policy), making it imperative to devise some form of devolution of power that would be more successful than past failed initiatives with this intent. After prolonged discussions between the government and Tamil groups, with India's intervention, provision was made for a system of elected Provincial Councils and elected local authorities. The 13th Amendment to the Constitution (1987) and the Provincial Councils Act No. 42 made constitutional and legal provision for the establishment of elected Provincial Councils. The passage of the Pradeshiya Sabhas Act No. 15 of 1987 enshrined the role of local governance and associated local development functions squarely within the unitary constitution.

2.10 Each Pradeshiya Sabha represents a number of villages spread across a large territorial area. Within each village, several community based organizations have historically performed various service delivery functions (rural development societies, farmer organizations, youth organizations, religious societies etc.). Established prior to the above mentioned acts, these societies remain linked to and registered through the appointed Division and District Secretaries - rather than the elected representatives - and as such were designed to support the delivery of centrally supplied services. Their organizational make-up lacks meaningful representation of women and the poorest and their functions are limited to important, but a limited number of services (infrastructure and irrigation services). Neither the government nor the societies are held accountable for the quality of services delivered. The newly elected local government also lacked female participation: by 2004, women occupied less than two percent of all local government positions.

2.11 Prior to the project design, Sri Lanka had experienced reasonable economic growth of around 5 percent, in spite of the prolonged civil conflict and several external shocks. But by 2002, 25 percent of the population was estimated to be living under the national poverty line and rural areas – home to 90 percent of the then poor – were being left behind. Important budget categories such as physical and social infrastructure were crowded out by debt payments linked to heavy domestic deficit financing to cover the costs of the war (public debt climbed to 100 percent of GDP in 2001).

2.12 The Gemi Diriya objective sought to bridge this gap by helping to develop and empower local organizations that could represent the needs of the poor to service delivery providers, oversee the quality of these services and through savings and investment, attract and sustain access to local investment.

2.13 The objective was rooted in an understanding of the positive outcomes that had been achieved under previous participatory development schemes. With a 92 percent literacy rate and consistent investment in human health, the Sri Lankan village had historically provided a strong springboard to launch self-help groups. The most notable example is the *Gal Oya Irrigation Development Scheme* supported by donors *other* than the World Bank during decades prior that helped to set the stage for the expansion and adaptation of the model (See Box 2.1).

Box 2.1: Learning from Gal Oya

In 1980, Sri Lanka's Gal Oya irrigation scheme was reported to be 'one of the most difficult and poorly managed in the country: the main reservoir was only one quarter full, there were crop failures, and worsened water conflicts were anticipated (Uphoff, 1996). Visiting scholars and water management experts from Cornell, USAID, and Colombo's Agrarian Research and Training Institute determined that the system was suffering just as much from social deterioration as it was from physical deterioration. Water allocation suffered from a lack of transparency and grievances lodged about water shortages were unresolved. In most areas around the scheme, social organizations previously established to support local water management were non-functioning. Their proposed solution lied in supporting the formation of cooperative farmer organizations, that through a self-help scheme, could reinvigorate the channels downstream while influencing the mindset of engineers and officers within Sri Lanka's agrarian and irrigation departments who generally thought negatively about the potential and capacity of the farming communities. A chicken and egg game, the goal was to convince these two mistrusting parties to get along.

Within weeks of implementing the new approach, "90 percent of farmers in a pilot area of over 2,000 hectares were voluntarily undertaking a program which they helped to develop themselves. They cleared channels, some of which had not been cleared for 15 to 20 years, rotated water deliveries so that tail enders would get a fair share, and saved water when possible to donate to farmers downstream, which included many Sinhalese to Tami exchange" (Uphoff 1996). Fifteen years later, a case study on farmer organizations in Gal Oya published in World Development showed how investment in social capital could dramatically increase the efficiency and productivity of rice farming systems in Sri Lanka

Source: The box title and content are taken from the book of the same name, "*Learning from Gal Oya: Possibilities for Participatory Development and Post-Newtonian Social Science Norman Uphoff Ithaca: Cornell University Press, 1992*.

2.14 The participatory implementation of the Gal Oya Irrigation Scheme located in south-eastern Sri Lanka demonstrated that sustained investment in human capital could yield high rates of economic return while contributing to the promotion of the peace dividend. Endowed with the right combination of roles, rules, norms and values that supported mutually beneficial collective action, farmers achieved a better-than-average harvest during the 1997 dry season by engaging in efficient and equitable water distribution. Ethnic cooperation was also demonstrated by upstream Sinhalese farmers sharing water with downstream Tamil farmers. The Gemi Diriya project set out to achieve the same effect: endowed with the right combination of roles, rules, norms and values that, it bet that village organizations could engage in mutually beneficial collective action to help the poor move out of poverty.

2.15 The PPAR rates the Relevance of Objective as **High**.

Relevance of Project Design

2.16 Relevance of Design to the objective is assessed against four dimensions: (1) the project assumptions; (2) project feasibility; (3) value added, or additionality; and (4) capacity for learning and course-correction. Based on the below assessment, this review finds that the project design was Substantially Relevant in relation to its efforts to identify and target the poor, but that the design demonstrated some weaknesses linked to an under-estimation of project risks within a highly changeable political context.

Testing Project Assumptions

2.17 The Gemi Diriya project was designed as a 12 year, three phase poverty reduction program that would test initial project assumptions in 1,034 villages in the south of Sri Lanka during the first five year phase. Conditions were then set, that if satisfied, would permit the program to spread horizontally (geographically) and vertically in a subsequent second and third phase. By year twelve, the program envisioned covering a total of 4-5,000 village level communities in about 2,000 Gram Niladhari Divisions (the local administrative unit in Sri Lanka). To achieve this, the project estimated it would need to secure US$181 million in IDA finance over the twelve year period.

2.18 As discussed in the previous section, the Gemi Diriya program was anchored in a belief that the self-help group model offered vast untapped potential-- a lesson that had spread throughout South Asia by the time of project design. But the specific design of the Gemi Diriya model (village organizations, savings and credit schemes, and an autonomous implementing structure) was tested in a socially constructed, organized resettlement scheme and in areas where participatory development was palatable. This review finds that the risks associated with expanding this grassroots initiative outside of the boundaries of the majority Sinhalese inhabited south were under-evaluated at the time of project design and during implementation. A project that introduced a paradigm shift in the way people identified and selected their village leadership, the project could have also benefitted from a more proactive engagement strategy with existing local appointed and elected leaders.

2.19 Designed during a very reform minded period of recent Sri Lankan history, the project also established and financed a semi-autonomous Foundation - the Gemi Diriya Foundation - that by project end was employing roughly 600 staff. The project sought to support a facilitation hub that attracted youth, competitively hired, and that supported skills that were transferable after the program end. Set up as a company, the project hoped that the Foundation could implement its activities unfettered from political wrangling – the kind that had increasingly undermined the effectiveness of the country's national welfare program, or Samurdhi (see below).

2.20 This design choice proved to be contentious with typical concerns expressed by Government employees about the wages and per diems paid to Foundation staff through the soft loan (IDA financing) that had been taken by the Government. As effective as the Foundation was, the Government viewed the program as a Cadillac version of the type of service delivery that was desirable but ultimately unaffordable if the program was to scale nationally. The Foundation arrangement deviated from the Gal Oya model (Phase 2m 1978 to

1986) that did not rely on a special Foundation but on a semi-autonomous agency under the Ministry of Agriculture, the Agrarian Research and Training Institute, as well as on “champions” and “converts” among the engineers in the Irrigation Department, on converted Government Agents (local government), and most importantly, on the farmers themselves. This “quadrangle” was key to the success of Gal Oya II.

Feasibility of Making an Attributable Contribution to Poverty Reduction/Shared Prosperity

2.21 Given that the loan was the first phase of a programmatic approach in support of poverty reduction in Sri Lanka, this assessment reviewed the manner by which the World Bank and the Government of Sri Lanka identified and selected poor beneficiaries for inclusion in the project. For the Gemi Diriya Phase I project, poverty was targeted at the District and Village Level in Sri Lanka. Designed during a period of active conflict in Sri Lanka, the project identified and selected districts with the highest poverty headcount outside of the then conflict affected North and Eastern provinces. It used an Unmet Basic Needs Index to determine village selection based on several criteria such as access to drinking water, sanitation, land, and participation in the Samurdhi (welfare) program. Additional criteria included presence of development programs in communities within the past three years. While village entry into the program was dependent on village consent (80 percent of all households in a village had to have signed a petition requesting entry), household participation was voluntary. A Wealth Rank index was then developed to determine the relative level of wealth among participating households.

2.22 Focus Groups conducted by IEG confirmed that consenting villages participated in a participatory poverty mapping process which produced a color-coded scheme of relative household wealth. Villagers reported that they preferred this ranking method to other less transparent methods (e.g. door-to-door surveys), the latter of which are often conducted by external consultants who lack a nuanced understanding of the ways that poverty presents itself and varies from village to village in the southern Sri Lankan context.

2.23 Were the extremely poor included in Gemi Diriya? There is insufficient data available to determine the extent to which the extremely poor were reached by the Gemi-Diriya Program. Project design aimed for 100 percent inclusion of all village members in the program –but IEG found that the poorest households made very considered choices with regard to the perceived benefits and costs of joining the program. While the ratio of village welfare participants was one criterion used to determine village selection, IEG learned through focus groups and interviews that extremely poor villagers did not join the program in some cases for fear of losing their welfare—or Samurdhi – benefits.

2.24 The project was nonetheless conscientious about the need to differentiate its toolkit to attract the poorest of the poor. As such, it introduced a “One Time Grant” scheme which was designed to softly introduce the poorest households to the village savings and credit model. The Maha Sabhas helped the project to identify 11,918 households that, according to each village, represented the poorest of the poor. Of this total number of households, 10,648 received a one-time grant, which were used for consumption purchases. While the grant in and of itself did not yield impacts, the grants were designed to bring the poorest of the poor into the Village Organization Dialogue and to offer them the opportunity to participate in the savings and credit pools. According to the end line assessment, 42 percent of households that received a one-time grant went on to participate in the village savings and credit organizations, although no data is available about the impacts of this group's investments.

The Value Added of the Program as Compared to other Poverty Reduction Programs in Sri Lanka

2.25 Gemi Diriya is not the first poverty reduction program to have been implemented in Sri Lanka. Rather, it builds on decades of investment, implemented through various government interventions that have demonstrated mixed success in reaching the rural poor in Sri Lanka. This review assesses the relevance of the design of the Gemi Diriya project against two other poverty reduction programs in Sri Lanka – the Janasaviya and the Samurdhi Welfare Program (Figure 2.1). It finds that with regard to beneficiary targeting, the Gemi Diriya poverty mapping approach is significantly more efficient – and therefore more relevant – than the comparator programs. The World Bank's Country Assistance Strategies provide some context: with regard to Samurdhi, the 2003 CAS notes with concern that "social protection programs have become highly politicized and Samurdhi [was then] available to 60 percent of the population (p. 3). By 2013, the present CAS reflects gains made in pairing down the recipient roster, but in spite of a decade of donor assisted efforts to support expenditure reform, some 47 percent of all households were reported to still be receiving benefits from the Samurdhi program. The Janasaviya program – established in 1989 and financed partially with IDA funds –selected its beneficiaries on the basis of reported income (less than Rs 2500 a month in 1977), however targeting in this program was also unduly influenced.

2.26 All three programs made efforts to provide access to savings and credit with Gemi Diriya modeling aspects of the earlier Janasaviya program but on a more informal, village group savings and lending basis. Efforts made by Samurdhi to model aspects of the earlier system have lacked relevance since the program design lacks accountability amongst program officers and between the officers and members of the community. The efforts by the Janasaviya program to link the rural poor and youth to formal financial services were highly relevant but not able to extend these services to the poorest of the poor since the banking model was incapable of reaching remote rural poor areas. The Gemi Diriya model was relevant in so far as it sought to promote a savings and credit culture in remote rural poor villages – in areas that had otherwise been unbanked. But the informal group savings and lending model lacked a transition strategy to promote access to formal services over time. Other relevant aspects of the Gemi Diriya program include the introduction of financial and social auditing committees that promote fund award and management transparency and a sense of pride in creating a sustainable system of borrowing, investment and repayment at the village level.

Figure 2.1: Characteristics of Sri Lanka's Poverty Reduction Programs

Poverty Program	Description	Beneficiary/Poverty Targeting	Features of the Group Savings and Credit Models
Janasaviya (1989)	Adopted in 1977 alongside economic reforms to protect vulnerable groups from negative impacts of transition. Provided a financial package to the poor to encourage investment and productive self-employment with nutrition support. The program was supported by an IDA project.	Beneficiaries were selected on basis of income (< than Rs 2500 per month) however targeting of recipients has been an issue owing to undue influence in the selection of beneficiaries.	Provision of credit at commercial rates to the poor and unemployed youth to start micro enterprises. Aimed to create a credit culture based on commercial principles. Financed wage payments through infrastructure works identified by beneficiaries which the community maintained. Included a Human Resource and Institutional Development component to train Human Resource Development Workers and a social mobilization and skills training program.
Samurdhi **(1994)**	Derived from a local term meaning "prosperity", Samurdhi is a national welfare program launched in 1994 to reduce poverty and unemployment.	Samurdhi used a similar income based selection criteria to Janasaviya (<than Rs 1500) however, poor targeting of beneficiaries has been a problem, with some 60% of HH recorded participating in 2003 and 47% of all HH still participating in 2013.	Savings Groups of 5 persons each lent at 5%. Reduced dependence on predatory credit but unsustainable due to: (1) lack of affinity in group formation; (2) beneficiaries too poor to save inter-seasonally; (3) Savings goals not communicated well by program. Credit made available through state banks for enterprise development/ expansion (Rs 2,500 – 100,000) at 10% per annum. Upside is access to credit, downside is lack of transparency, lack of financial skills (Officer decides who gets credit, manages funds, supervises repayment). Reported allegations of embezzlement and of officers participating without paying interest, causing some members not to save.
Gemi Diriya Program	A World Bank and GoSL financed project piloted through the Village Self-Help Learning Initiative (VISLI) in 1999 and implemented over two consecutive phases (2004-2014) to pilot and test the effects of pro-poor participatory rural development as a means to reduce poverty, provide access to savings and credit, and to finance community infrastructure works as identified by participating villages. Focuses on a bottom-up approach that empowers communities to engage in transparent and accountable local development activities.	Recipients selected through need based criteria, allowing little room for interference since villagers determined the village level wealth index, including categories of the poor (poor versus poorest of the poor). Recipients were selected by the villagers based on the 'most deserving' criteria' ensured that the neediest were selected.	Group savings and credit model consisted of small groups that comprised a larger group – the VSCO. The small groups were formed based on geography – three to five individuals were formed between neighbors. After the small groups proved solvency they were eligible to take larger loans (as individuals) from the VSCO. One Time Grants for the Poorest of the Poor were well targeted their value as compared other existing welfare programs is unclear.

2.27 However Gemi Diriya's management information system was not designed to share knowledge horizontally - across villages - during the first phase. The MIS was mainly unidirectional: data collected at the village level was fed upwards through a system of community resource persons, divisional and district level facilitators –to Foundation staff at the national level. The program acted as an incubator for new ideas which at least in the case of the Innovation Seed Fund appear to have required more grounding in the cultural context (Box 2.2).

Box 2.2: When Innovation Requires Explanation: The Failure of the Innovation Seed Fund

The Innovation Seed Fund was designed as a US$1.3 million pilot intervention within the Gemi Diriya project to promote innovative ideas that could benefit from experimentation before scaling up, including new agricultural processing techniques, value addition items, and information technology. Of the US$1.3 million allocated for this intervention, only US$50,000 was disbursed. The effort failed owing to a lack of an understanding of what was expected, what was meant by "innovation", and how to reward it. An interview with Gemi Diriya Phase I staff illustrates the confusion: "Was the Bank expecting an Archimedes type innovation, or something that the average rural community could conceive and implement? This was never clear." The concept was foreign to local staff – so much that they suggested that World Bank staff "draw up lists of potential areas for innovation" – which of course defeats the purpose….

Source: ICR and IEG Interviews with First Phase GD Foundation Staff

3. Monitoring and Evaluation

M&E Design and Implementation

3.1 Gemi Diriya developed several different monitoring and reporting tools to evaluate its achievements. Progress reporting was supported by a log-frame, monitoring and evaluation staff in the national Gemi-Diriya foundation, and a management information system that evolved over the life of the project. A community driven development project, several aspects of the monitoring and reporting functions of the project were decentralized, participatory and innovative and included tools designed to measure and track social accountability (such as Social Audits and Village Scorecards that were linked to a Village Monitoring Matrix). Social audit committees were instituted to conduct input and expenditure tracking as a means to assess behavior of selected village leaders, project staff, and service providers.

3.2 Gemi Diriya developed several different monitoring and reporting tools to evaluate its achievements. Progress reporting was supported by a log-frame, monitoring and evaluation staff in the national Gemi-Diriya foundation, and a management information system that evolved over the life of the project. As is typical for community driven development projects, several aspects of the monitoring and reporting functions of the project were decentralized, participatory and innovative, including the incorporation of tools designed to measure and track social accountability (such as Social Audits and Village Scorecards that were linked to a Village Monitoring Matrix). Social audit committees were instituted to conduct input and expenditure tracking as a means to assess behavior of selected village leaders, project staff, and service providers.

Box 3.1: Readiness Criteria for Phase II

At least 60% of VOs established in first two years
At least 30% of women participate in decision making by holding management positions in the first two years
At least 50% of community members have contributed at least 20% toward capital cost of community infrastructure
At least 50% of members of project villages covered during the first two years have benefited from interventions; and at least 60% of these beneficiaries belong to the poorest of the poor HH.
At least 25% of Divisions covered in the first two years have established participatory sub-committees at the local government level with 30% elected representatives and 70% representatives of community organizations

Source: Gemi Diriya Project Appraisal

3.3 The project also developed a set of Triggers capable of contributing to a measurement of some of the more nuanced aspects of project readiness, such as the role of women in decision-making, community ownership of the infrastructure investments, and participation of the poorest of the poor (Box 3.1).

3.4 IEG found that Gemi Diriya's Management Information System supported the effective collection, tracking and reporting of outputs at the village level that were, in turn, vertically reported and captured by the project's results reporting system. But the Management Information System was not equipped to integrate and consider data captured outside of the standard reporting frame (e.g. social audits; village scorecards, triggers), thus limiting reporting to a handful of outputs that were inadequate to measure the project's first phase objective. Key performance indicators associated with the project's first phase measured such outputs as "the number of" or the "percentage of" organizations and subprojects that were established and implemented rather than their level of accountability, capacity to self-govern, or sustain the village level investments. Qualitative measures, in addition to quantitative measures, were needed to assess the behavioral change that the program was designed to incentivize. Some of the measures could have been derived from the village monitoring tools, but these indices were not integrated into the MIS.

3.5 IEG also found that the absence of agreed upon baselines and the use of inconsistent indicators interfered with efforts to assess or validate the project's overarching poverty reduction goals. The project used the US$1.00 a day income metric at appraisal to estimate that 50 percent of the targeted population lived below the poverty line – and set a first phase goal of reducing poverty (by increasing incomes) by 10 percent. The project's Mid-Term Review used a different metric – the National Poverty Line – which was then US$1.42 a day (or RS 1,423 using the project conversion rates of US$1 = 100). Published two years after appraisal, the Mid Term Review re-estimated poverty in the project areas to be as high as 70 percent. The methods used by the Mid-Term Review to report incomes lacked methodological rigor. It used a modified version of a full income and expenditure survey and incomes were based on self-reporting. Mid-Term reporting was also unaligned with the indicators included in the results framework. Whereas the project set out to measure the number of households that came out of poverty – or were earning more than US$1.00 a day – the Mid-Term Review was designed to measure the number of households that increased their income compared to control areas. The MTR reports that a larger percentage of the population in the project areas reported increased incomes as compared to control areas, but does not measure their graduation out of poverty using either metric.

M&E Implementation

3.6 The project's monitoring and evaluation system evolved as project implementation progressed -- from a hand tabulated, paper and spreadsheet system to a web-based, management information system (MIS). Limited staff capacity to manage and maintain the large volumes of paper based data was the main reason given for the transition. The inputting of data was a large task which tended initially to overshadow the output of data and its analysis, a common problem in new M&E systems. At the time of the ICR mission, staff and trained community youth were inputting the very substantial amount of information on hand, but had not yet produced any specific outputs from the MIS. The monitoring and learning system and MIS were to be further fine-tuned and automated under Phase II.

3.7 Project level activities were monitored and tracked through a Village Monitoring Matrix and each village organization engaged in their own results reporting. The project established a system to promote inter-village learning whereby a jurisdictional hub, comprised of several village organizations, was established to periodically support results sharing and grievance resolution. As recognized by the ICR and as further explicated above, while there was considerable emphasis during Phase 1 on monitoring quantitative indicators and tracking sub-project implementation, the monitoring of livelihoods, qualitative factors and the identification of good practices proved more difficult.

M&E Utilization

3.8 The use of a decentralized, participatory monitoring system – although fragmented – allowed for full village coverage, including those villages that were remote and isolated. The relationships developed between the community professionals and members of the village organizations allowed the professionals to "probe in a transparent and trustworthy manner" and to supply timely data to World Bank supervision missions. Well-represented gatherings of community members and staff were used to design manuals, change procedures and review project performance. There is no evidence that the suite of community monitoring tools supported by the project – including the Village Scorecards and the Social audits -- were used to improve individual village performance. This could have included providing standard but differentiated guidance for project implementation across the four graded village levels (A-D).

3.9 Overall Monitoring and Evaluation Quality is rated **Modest,** with evidence on outcomes mainly derived from the external Mid-Term Review and End line assessment commissioned by the project.

4. Efficacy

The Overall Project Objective was to target poor communities in the Uva and Southern provinces and improve their livelihood and quality of life by enabling them to build accountable and self-governing local institutions and to manage sustainable investments.

This will be discussed below as per sub-objective, namely (i) improve livelihood and quality of life; (ii) build accountable and self-governing local institutions; and (iii) manage sustainable investments.

POVERTY TARGETING

4.1 For the Gemi Diriya Phase I project, poverty was targeted at the District and Village Level. Designed during a period of active conflict in Sri Lanka, the project identified and selected districts with the highest poverty headcount outside of the then conflict affected North and Eastern provinces. It used an Unmet Basic Needs Index to determine village selection based on several criteria such as access to drinking water, sanitation, land, and participation in the Samurdhi (welfare) program. Additional criteria included presence of development programs in communities within the past three years.

4.2 While village entry into the program was dependent on village consent (80 percent of all households in a village had to have signed a petition requesting entry), household participation was voluntary. A Poverty Mapping exercise and a Wealth Rank index was then developed to determine the relative level of wealth among participating households. Focus Groups conducted by IEG confirmed that consenting villages participated in a participatory poverty mapping process which produced a color-coded scheme of relative household wealth. Villagers reported that they preferred this ranking method to other less transparent methods (e.g. door-to-door surveys), the latter of which are often conducted by external consultants who lack a nuanced understanding of the ways that poverty presents itself and varies from village to village in the southern Sri Lankan context.

4.3 According to the self-reported household wealth rankings reported by the end-line impact assessment, 67 percent of the project beneficiaries were classified as poor – and six percent of this group was classified as poorest of the poor.

4.4 IEG's 2014 Household Survey loosely validated this claim by asking households to recall their wealth rank under the project and by applying basic household metrics to assess their current state. Focus Groups carried out in twelve of the fifty villages suggest that the poorest of the poor may have been reticent to join the program for fear of losing their Samurdhi (welfare) benefits. IEG was unable to ascertain whether this fear was justified.

OBJECTIVE: LIVELIHOOD IMPROVEMENT AND QUALITY OF LIFE

4.5 The project provided two main vehicles through which project funding was expected to contribute to enhanced quality of life: the Village Development Fund for Community Infrastructure and the Village Savings and Credit Organizations (VSCOs).

4.6 The ICR reports that by project completion, 1,415 community infrastructure projects had been implemented in the 1,034 Gemi Diriya villages. Beneficiaries contributed 30 percent of the costs, including 10 percent in cash. The end line assessment (2010) reported, that as compared to the project target of 105,000 households (or 70 percent of the 150,000 households included in the program), 121,000 households or 81 percent of targeted of project households benefited from access to new or enhanced infrastructure.

4.7 IEG sought to investigate the link between chosen assets and quality of life by asking villagers included in the 500 Household Survey to identify and describe the assets chosen by their village and to report on how the assets affected their quality of life (social and productive). IEG interviewed both participating and non-participating households to understand the perceived welfare benefits of the community infrastructure (inter-village roads, community buildings, and water supply etc). IEG found that 77 percent of participating households reported that their quality of life had improved (due to the asset) as compared to 42.5 percent of households that did not participate in project activities– a finding that is statistically significant at the 1 percent level.

4.8 ***Rural Road*** construction or repair was conducted in 40 percent of the villages randomly sampled by IEG. In these villages, 75 percent of villagers surveyed attested that support for road construction had improved their quality of life. The most frequent reasons cited were: (1) improved access between villages and to the main town, (2) improved access to their cultivation lands (tea and paddy); (3) improved access to markets and middlemen (tea leaves), and to a lesser extent (4) improved access to schools and health services. For example, increased village interconnectivity was valued for its ability to bridge the distance between family and friends. Increased interconnectivity was also valued for its ability to increase access to local government and government services

4.9 ***Multi-Purpose Buildings and Community Buildings*** A third of all villages surveyed had selected, in addition to other assets, a multi-purpose or community building. A higher percentage of respondents linked the construction of a multi-purpose building in their village with an improved quality of life rather than the construction of a community building. Multi-purpose buildings were reported to have housed the Gemi Diriya supported Village Savings and Credit Offices and as such, were associated with eased access to much needed finance. Survey findings also revealed that respondents appreciated eased access to government services, since in many cases the MPB provided office space for the Gram Nildhari. MPBs were also reported to have been used to house GD meetings, other village meetings, religious activities, classes and training, and for providing mobile medical services. Community Buildings, on the other hand, were single room additions made to existing buildings that were mainly used to conduct village meetings.

4.10 ***Access to Water*** The subproject that most universally solicited positive responses were the water projects (pumped water, water tanks, and in fewer cases, wells). In the IEG Household Survey, 90 percent of all respondents that had received a water related asset indicated that the intervention had improved their quality of life. Respondents reported receiving access to clean drinking water, including several respondents that had not had access to safe water before. Most respondents also indicated that the pumped water provided time savings and that it was used additionally for domestic activities -- including for productive uses

-- such as home gardening and brick making. The IEG survey team spoke with some respondents that indicated that they were suffering from kidney and gastrointestinal diseases. The respondents reported improved health as a result of the clean water provided by the project. The remaining 10 percent of respondents who expressed dissatisfaction with the supported water projects pointed to (1) poor water quality and (2) insufficient supply, especially during the dry season.

4.11 Interviews with Gemi Diriya Foundation staff and village focus groups discussions revealed that a key determinant of subproject success was the presence of a collective-action dilemma or an unmet commonly felt need (e.g. access to drinking water) in areas where the village had not been able to gain access to government finance for the activities. Analysis conducted at project appraisal showed that public expenditures were mainly contributing to agricultural and transport related investments whereas water supply, for example, was critically needed but under-funded. IEG's Focus Group discussions lend support to this finding. According to discussants, subproject success was often associated with gaining access to finance for a mutually felt development challenge. Less successful subprojects, on the other hand, were associated with the selection of a subproject from a menu of choices that did not reflect commonly felt needs (See Box 4.1).

Box 4.1: Working Together to Bring Clean Water to Dangamuwe Village

Villages in Badulla District in Sri Lanka's Uva Province suffer from problems of accessibility and non-connectivity in part owing to its hilly terrain, low and long dry spells and an absence of an internal road network. Social infrastructure, at the time of project appraisal, was wholly unsatisfactory. Focus Group Discussions held in the Village of Dangamuwe revealed that the Gemi Diriya project provided the community with a means to efficiently deliver a much need public asset to villagers in extreme need. Access to finance for public infrastructure enabled the Village Organization of Dangamuwe to identify and respond to the needs of the isolated rural poor in their village. Aware that several isolated households within the village were accessing drinking water from a nearby river, the village voted for and helped to install a pumped water system. Eight of the ten randomly sampled households in the village included in IEG's Household Survey indicated that the intervention had improved their quality of life, by saving time and energy but also owing to the use of the water for other productive purposes (such as a home garden).

Other key determinants of project success, as borne out by the Focus Group Discussions, include technical competence and skilled leadership. Cognizant that access to water was one of the main challenges faced by the village, villagers opted to put the Head of the Village Water Society on the Gemi Diriya Board. This was a practical choice owing to the understanding that the Board member had access to contractors and well-priced goods. Separate focus groups with the Board of Directors and Women Groups confirmed the relevance of the need and the relevance of the means by which the project empowered the community to act. Lastly, , Focus Group discussion in the village pointed to the critical component of ownership and support from the elected Pradeshiya Sabha, appointed Grama Nilhadari, elders and the village priest.

Source: IEG 2014 Household Survey, Focus Group Discussions in Dangamuwe Village

4.12 The second funding vehicle supported by the project provided seed finding for village savings and credit organizations. As compared to its target of 400 such organizations, the project helped to develop 1,034 organizations in each of the villages supported. According to the ICR, 96,853 or 65 percent of the 150,000 participating households accessed loans from the VSCOs. And women especially benefitted. The ICR reported that 71 percent of VSCO membership was comprised of women that their leadership included women, and for these reasons, loans were mainly taken by women. Of the twelve VSCOs visited as part of the Focus

Group Discussion, all but one was chaired by a female representative. Of the 500 individuals interviewed by IEG, 208 indicated that they had taken a loan from the VSCO, of which 141 or 68 percent were female.

4.13 In Focus Group Discussion convened with women, IEG learned that there was a tendency for women to take loans out either for the benefit of the household or for her husband however indicating that more research is needed on household level decision making with regard to the perceived and actual benefits of women's participation in VSCOs (or similar rural based credit and savings models).

4.14 The end line assessment found that poor households that took a loan from the village savings and credit organization experienced, on average, an incremental increase of 41 percent as compared to the incremental increase in incomes observed in control villages.1 The assessment also found that the complementarity of subprojects and VSCO loans - especially increased access to roads and water – was found to contribute to this effect. The IEG Household Survey confirmed the substantial level of participation in the Village Savings and Credit Organizations as reported by the ICR. Sixty percent of all households surveyed by IEG reported having accessed a VSCO for savings and loans.

4.15 According to the End line assessment, 78 percent of households that took a loan used the loan finance to initiate or expand an agricultural income generating activity, with the remaining investing in non-farm income generating activities. IEG's Household Survey found that only half of the loans were taken for productive purposes however, with the other half borrowed to finance domestic expenses or to refinance debt. The half that financed productive investments mainly did so in the agricultural sector. Investments supported purchases of inputs most often for paddy cultivation, maize, tea and bananas. Only five percent of this group reported being able to afford diversification or expansion into commercial crops (cinnamon, cashews, sugarcane). Most VSCO loans ranged from RS 5,000 to 50,000 (US$40 to US$400) with variation between villages. Investments in non-farm activities included the expansion of inventory for grocery stores, the start-up or expansion of a brick-making enterprise (made possible because of expanded water supply), and sewing operations. While few households started a new business, the entrepreneurial spirit observed in Sri Lanka is noteworthy, with households engaging in several types of new business activities including the production of curry paste (by purchasing grinding mills), sweet and flower shops, toys and trinket production for tourists, beauty centers and ice cream parlors.

4.16 Focus Group Discussions were very useful in deriving perceptions about the relative features and utility of the VSCOs. Focus Group discussants most often cited distance and time as barriers to accessing rural finance – and that these barriers were addressed by placing the VSCOs in the village center. A second constraint cited was entry. Compared to traditional financial institutions, villagers reported that it was easier to access VSCO funds. The VSCO allowed villagers – on a small group basis organized by geographic proximity – to start small (with small loans and small membership fees) and then to graduate to larger loans based on a

[1] The average income for poor households that took loans in Batches 0 and 1 of the project area increased from RS 2,727 at mid-term to RS4802 at the time of the endline assessment. The average income of poor households in control villages increased from Rs2,926 to RS3949.

proof of repayment. This model, unlike traditional financing institutions, did not require collateral and had a less formal and more easily accessed application process. Anecdotally, focus group participants reported that participation in the VSCOs led to enhanced financial literacy, confidence with regard to the use of money, and greater unity owing to the transparency of the process about who received funds and their intended purposes. In eleven of the twelve Focus Group villages visited, information was publicly available about the VSCO current account balances, outstanding loans and other financial information. – this information was often displayed on the wall of the Multi-Purpose Building housing the VSCO.

SUB-OBJECTIVE: ACCOUNTABLE AND SELF-GOVERNING VILLAGE ORGANIZATIONS

4.17 *The project's sub-objective of enabling these communities to build accountable and self-governing local institutions was Substantially Achieved*. The project surpassed every quantitative target that it set out to achieve at appraisal (Table 5.1). It supported the establishment of 1,034 village organizations compared to a target of 650 village organizations. One hundred percent of the 1.034 village organizations set up a Village and Savings Credit Organization (as compared to the 400 planned). An end line assessment validated the establishment of these organizations in 2010.

Table 4.1 The Project Exceeded its Quantitative Targets

INDICATOR	TARGET	REPORTED RESULTS
% of VO formally registered, receiving funds, and effectively implementing village priorities	A 65 percent target, or 650 of the 1000 Village Organizations whose establishment were planned	100 percent of the 1,034 village organizations had been registered, had received funds, and at the time of project close, were effectively implementing village priorities.
% of sub-projects operated and maintained by VOs and ratified by Maha Sabha.	With a baseline of 0, a target was set at 60 percent.	1,415 community infrastructure projects had been implemented in the 1,034 Gemi Diriya villages
% of VOs with viable savings and credit organizations	40 percent of all Village organizations would establish Village Savings and Credit Organizations	100 percent of the 1,034 Village organizations established were reported to have also established viable village savings and credit organizations
% of VOs working in partnership with Private Sector Organization	A target of 30 percent was set.	Reported Actual is 43% of 1.034 VOs formed have increased Private Sector investments.

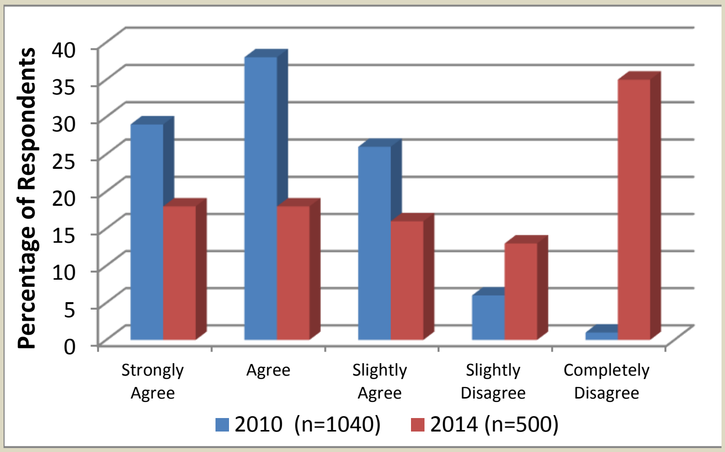
4.18 The indicators utilized by the project were at the output level. They did not measure outcomes that would have reflected attainment of the first phase objective--whether the organizations established were accountable and self-governing and able to manage investments that could be sustained over time.

4.19 An end line assessment (2010) commissioned by the project utilized several proxy indicators that were better equipped to measure achievement at the outcome level, i.e., the quality of the governance of the organizations supported by the project. Five years after project close, IEG adopted and adapted several of these metrics and tools to assess the qualitative outcomes of the project. As per the project logic, IEG utilized a household survey, focus groups, and interviews to better understand perceptions about the past and present strength of the village organizations by assessing their composition, membership, attendance, decision-making processes, investments and links to the overall programmatic goal of enhancing villagers' quality of life.

Social Inclusion and Social Accountability: Metrics of Good Governance

4.20 The end line assessment posited that accountable organizations would promote social inclusion, by facilitating wide-scale participation in decision-making and priority setting, and ensuring that project benefits were distributed equally. The ICR indicated that a core feature of the Gemi Diriya model was the inclusive involvement and ownership by the whole village in decision-making, especially the poor and disadvantaged groups.[2] The end line assessment did not measure the total level of household participation in the village organizations – since it only visited households in Gemi Diriya villages that participated in the Gemi Diriya program. However, the IEG Household Survey included a question intended to measure household participation in village organizations. The results indicated that the Gemi Dirya program had achieved a high level of total village participation. Based on self-reporting at the household level, IEG estimates that, on average, 70 percent of the targeted village population participated in Village Organization activities (Figure 4.1).

Figure 4.1: Tracking Perceptions about Budget Transparency (2010, 2014)



4.21 Gemi Diriya was designed to promote social accountability. Village Organizations received a Village Development Fund intended to support investments in village infrastructure. The Village Development Fund was also designed to provide seed money to establish a Village Savings and Credit Organization. The Village Development and VSCO funds were governed by a set of rules, regulations and systems developed to ensure transparency and accountability. Social Audit sub-committees were established and trained to conduct input and expenditure tracking, and through a report card system, to report performance within and between Village Organizations, community and service providers, and between the Foundation and the communities. The project actively promoted transparency by openly displaying all financial and physical information in accessible format on the walls of the Village Savings and Credit Organization Buildings.

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[2] During the layer part of the project cycle, the Gemi Diriya first phase project made progressive efforts to include marginalized communities, especially disadvantaged ethnic minority communities in the estates.

4.22 The end line assessment found that, at the time of project close, 93 percent of the Gemi Dirya village households surveyed agreed (with varying levels of confidence) with the statement that: "*People are informed about how development funds are spent on village development*." Less than 1 percent of this population, at the time of project close completely disagreed with this statement. In 2014, IEG revisited 50 of the 74 villages surveyed by the End line assessment. Based on a smaller sample size, but supported by the random sampling method that was utilized in three-quarters of the villages visited by the Independent Assessment, IEG found that almost half (48 percent) of all households in Gemidirya villages surveyed in 2014 disagreed that people were [still] being informed about how development funds are spent on development. Thirty-five percent of all households surveyed completely disagreed with this statement reintroduced in the 2014 IEG Household Survey.

4.23 The decline in perception is, in part, intuitive. Villages visited are no longer receiving Gemi Diriya project support and more than half of all respondents interviewed no longer participate in activities. The level of disagreement – the 35 percent of households that completely disagreed regarding budget transparency – may be reflective of raised expectations or a certain level of disappointment in relation to the deterioration of the transparent budgeting processes that had been adopted by village organizations during the project cycle.

4.24 IEG hypothesized that better performing villages - as graded by the Gemi Diriya Foundation based on a set of project parameters - maintained some of the processes, for example (negotiated deliberation, sharing of information, social audits - tracking and reporting etc.). Or, conversely, better performing villages may express the highest level of disagreement with the above statement owing to a high level of expectations. However, IEG was not able to identify a relationship between these factors as shown in Table 4.2.

Table 4.2: Measuring Perceptions about Budget Transparency across Village Grades

Level of agreement with the statement: "People are informed about how funds are spent on village development"	Strongly agree	Agree	Slightly agree	Slightly disagree	Completely Disagree
Last VO Grade					
A	16%	16%	20%	9%	40%
B	24%	22%	10%	19%	25%
C	15%	16%	16%	11%	43%
D	12%	15%	28%	15%	30%

SUB-OBJECTIVE: MANAGING SUSTAINABLE INVESTMENTS

4.25 *The project's sub-objective of enabling these communities to manage sustainable investments was Highly Achieved*. Five years after project close, IEG found that, on average, roughly one out of every two village households in the former Gemi Diriya villages (46 percent) still participate in Gemi Diriya activities (mainly the Village Savings and Credit Organization). The emphasis placed on transparency and accountability is one of the explanatory factors as to why the revolving funds have been maintained. Information on current funding levels, allocations and loan recovery was publicly available in eleven of the twelve Focus Group villages visited by IEG.

4.26 IEG does not have access to nor was it able to collect reliable information on loan repayment. The ICR indicated that at the time of project close, the loan recovery rate was 92 percent and that all 1,034 VSCOs were able to cover their own operational costs. At the time of project close, the amount of portfolio at risk was greater than 10 percent for 60 days for over 30 percent of VSCOs which is considered below financial sector levels for sustainability. This was in part due to the unique manner by which the Foundation staff managed risk, by discerning “willful” non-payers from “unable” payers and managing each accordingly – the former with support from law enforcement and the latter with a special Loan Security Fund, which covers loans made to people who die and are unable to repay.

4.27 Focus group participants reported that participation in the VSCOs supported enhanced financial literacy, confidence with regard to the use of money, and greater unity owing to the transparency of the process about who received funds and their intended purposes. Since 71 percent of VSCO membership was comprised of women – including key leadership roles – the aforementioned results are especially noteworthy given the otherwise low participation rates of women in governance functions in Sri Lanka as compared to other countries in South Asia. Of the twelve VSCOs visited as part of the Focus Group Discussion, all but one were chaired by a female representative.

4.28 Based on self-reporting, IEG also found that the community infrastructure developed under the project was, for the most part, being maintained. Mechanisms for cost recovery were built into the water supply schemes. Similar mechanisms were not developed for roads however. Generally, village organizations have been reluctant to invest their savings in infrastructure repair, with some exceptions. In Sri Lanka, communities utilize a caretaker system which provides a nominal payment for operations and maintenance of infrastructure which varies across village organizations.

5. Efficiency

5.1 Considering a range of infrastructure types in different areas, and comparing them to equivalent government contracted works, the project reports an average relative savings of 36 percent for local infrastructure works. Local government officials interviewed by the project estimated that the quality of completed works was high and likely to give an approximately 25 percent longer lifespan than equivalent government works. This finding was confirmed through the Focus Group Discussions convened by IEG.[3]

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[3] In *Localizing Development*, authors Rao and Mansuri asked whether local provision of infrastructure tends to be better designed, constructed and maintained than centrally provided infrastructure (Mansuri and Rao, 2013). Based on a comprehensive review of participatory projects, the authors find that, on balance, greater community involvement tends to improve resource sustainability and the quality of infrastructure, with some caveats

5.2 Data compiled by the Infrastructure unit of the GemiDiriya Foundation and verified by the end line assessment found that the unit costs of government constructed roads far exceeded those of the project's: the average unit cost for a government constructed concrete road across Ratnapura, Badulla and Matara districts was 3295 rupees per km as compared to 1863 per km rupees for a Gemi Diriya procured concrete road, although this cost does not include the 30 percent community contribution.

5.3 Social and public accountability mechanisms, including participatory budgeting, report cards, social audits and expenditure tracking increased the efficiency of the procurement of goods and services. These features also contributed to the resilience of the infrastructure.

5.4 The mechanisms for the operations and maintenance of project supported infrastructure were less efficiently designed than other parts of the Gemi Dirya program however. By project close, the long-term maintenance of inter-village infrastructure was still to be considered – including the development of a maintenance fund and linkages with line agencies would facilitate such maintenance activities and obtain necessary technical support to ensure the long term sustainability. Through its focus group discussions, IEG found that in villages visited, a portion of the profits from the VSCO loans were being used for operations and maintenance of the village infrastructure projects. In addition, the community tradition of service (voluntary works) was also used to support upkeep of project infrastructure asset. [4]

5.5 *Economic Rate of Return/Financial Rate of Return.* The project did not conduct an economic rate of return analysis at appraisal and IEG was not able to obtain the original analysis conducted for the project to validate the methodology utilized to arrive at the ex-post rate of 30.5 percent.

5.6 ***Overall, Efficiency is rated Modest.***

6. Risk to Development Outcomes

6.1 *Risk to Development Outcomes is rated Significant*. The authorizing environment in Sri Lanka for inclusive, participatory rural development has waned significantly since the Gemi Diriya program was designed, owing to a retrenchment of centralized authority following the breakdown of the cease fire agreement in 2005. This section discusses the observed trajectory of the organizations and activities that were supported by the project and assesses the effects that these changes are having on rural development outcomes over time.

6.2 The Gemi Dirya Phase One project was developed during a relatively peaceful period of Sri Lanka's history. It was developed just following the internationally mediated 2002

[4] The Sarvodaya Movement that began in the late 1950s as a work camp program advocates a concept of development based on generosity, non-violence, and wisdom, a holistic progression toward coexistence. This process of development is described as "awakening," which enables the individual to overcome greed, hatred and ignorance. Its key strategy of mobilizing mass support for development works, such as building roads, schools and community clinics, is "Shramadana' or gift of labor. The Sarvodaya Movement's approach to development is evident in its most famous slogan: *"we build the road, and the road builds us." See http://somahewa.wordpress.com/2010/09/14/sri-lanka%E2%80%99s-vibrant-civil-society/.*

ceasefire agreement between the Government of Sri Lanka and the LTTE and became effective just weeks prior to the December 2004 Tsunami. Implementation, on the other hand, was affected by two of the largest disasters –both natural and manmade – to ever have affected Sri Lankan society. Hopes that the country could be unified in response to the devastating effects of the 2005 Tsunami were dashed after hostilities resumed in 2006. And, as recognized by the 2006 CAS Progress Report, "the political 'co-habitation' [against which the strategy had been cast] – which paired for the first time in Sri Lankan history a President and Prime Minister from different parties – did not work. " Within the increasingly unstable political environment-that included elections at all levels, and the formation and failure of this coalition, -the Poverty Reduction Strategy (PRS) was discarded, and the pace and depth of the reform efforts were severely curtailed' (CASPR 2006 p.1). In 2006, the Bank reported that while average growth had remained at about 5 percent, this was not adequate for significant poverty reduction beyond urban areas; that there were vast differences among regions and sectors and between the rich and the poor; and that-inequality had risen sharply.

6.3 While Gemi Diriya had been progressing favorably, both the Tsunami and, to a more significant extent, the changed political landscape put pressure on the program to alter its design in mid-stream. In response to post Tsunami needs, the project diverted 16 percent of its IDA financing away from the planned village investments towards humanitarian relief. The diversion of funds does not appear to have affected the establishment or the resilience of the village organizations supported: the project surpassed all of its targets both in terms of the number of VOs created and the number of VSCOs that were supported.

6.4 The resumption of conflict however in 2006 -- accompanied by organizational and political shifts to consolidate the writ of the newly elected national government during a tense time in Sri Lanka's history – had observable adverse effects on the sustainability of the citizen-centered service delivery model adopted by the Government prior to the war, especially in the North and the East, and between the first and second phases of the project approach. A country that has never been included in the Bank's Fragile and Conflict Affected State List – the transition between the first and second phase of this project approach could have benefited from a fragility assessment or a sector political economy analysis, especially given the role of the second phase in supporting federated organizations in a decentralized context.

Convergence with the National Village Development Program

6.5 In 2007, as part of a ministerial reorganization, the Government of Sri Lanka consolidated its rural infrastructure and livelihood portfolios within a newly created Ministry of Nation Building and Estate Infrastructure Development (MNB) headed by the President and supported by five non-Cabinet Ministers. As part of the reorganization, the MNB announced the intention to expand its own village development program, referred to as Gama Naguma, nationwide. To achieve this aim, the Government of Sri Lanka requested that the World Bank fold Gemi Diriya into the national program, a move that would include moving away from the Foundation model. Borrower finance for the project was halved as funds were directed towards the national program. One of the key factors of the project's success was the training and use of experienced community leaders who were held accountable by the community.

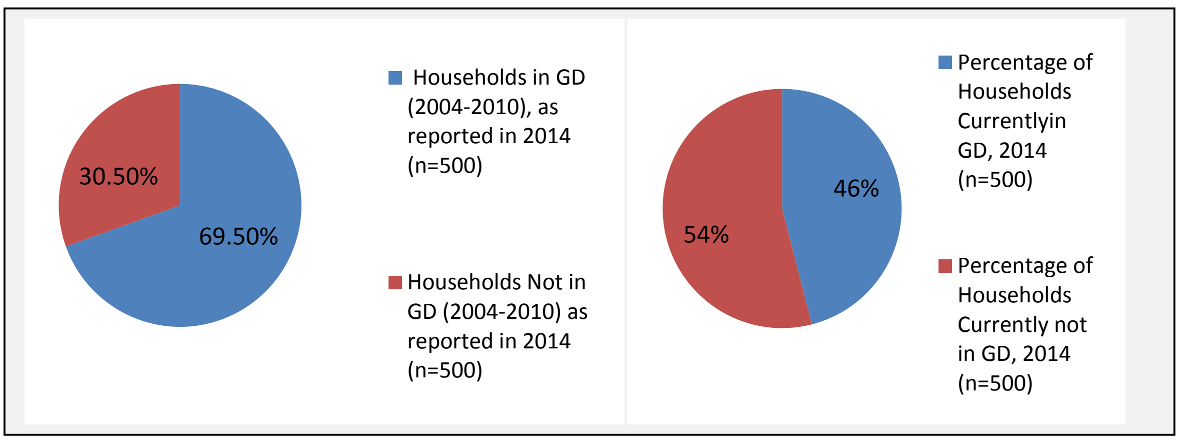
6.6 At project close, the World Bank pointed with some concern to the speed at which the Gama Naguma program was being scaled up (or rolled out) with regard to the sensitization, training and capacity building that is needed to develop an inclusive, participatory poverty reduction local service delivery model. By 2014, the Gama Naguma model had morphed into the "Devinaguma" program whose operating modalities and terms of reference were yet to be clarified at the time of the IEG mission. Some 15,000 recent graduates had been hired as economic development officers to support Devinaguma at the local level, but training as observed was inadequate, remuneration is low (10,000 Rs monthly) and the rotating nature of the service undermines the model's ability to support well-informed, pro-poor community assistance.

6.7 To assess the level at which the Gemi Diriya supported organizations and activities were still being utilized by the first phase villages, IEG included questions on institutional residence, participation, and the quality of participation in its Household Survey. IEG also utilized Focus Group Discussions and Interviews to probe further about the risks to the development outcomes. The results are reported below:

INSTITUTIONAL RESILIENCE AND QUALITY OF PARTICIPATION

6.8 Findings from the IEG Household Survey reveal that five years after project close, on average, roughly one out of every two village households in former Gemi Diriya villages (46%) participate in what they refer to as ongoing Gemi Diriya activities (VO meetings, accessing the VSCO) as compared to 70 percent that reported participating during implementation.

Figure 6.1 HH Participation in Gemi Diriya Remains Strong, but is in Decline



6.9 Overall, household welfare does not appear to have impacted households' decisions to stop participating in program activities, although middle income households reported facing different constraints than poor households, including the opportunity cost of travelling to and participating in village meetings. Table 6.1 provides an exhaustive list of the explanations submitted through the IEG Survey. A quarter of the respondents that characterize themselves as middle class indicated that 'a lack of time' was the main constraint. The poor who left the program, on the other hand, seemed to have suffered from a lack of continued support, including from a breakdown of the village organization and its functions after project close. In a program designed to target the poor, the self-selection by the better off to exit the program can be considered one indicator of success

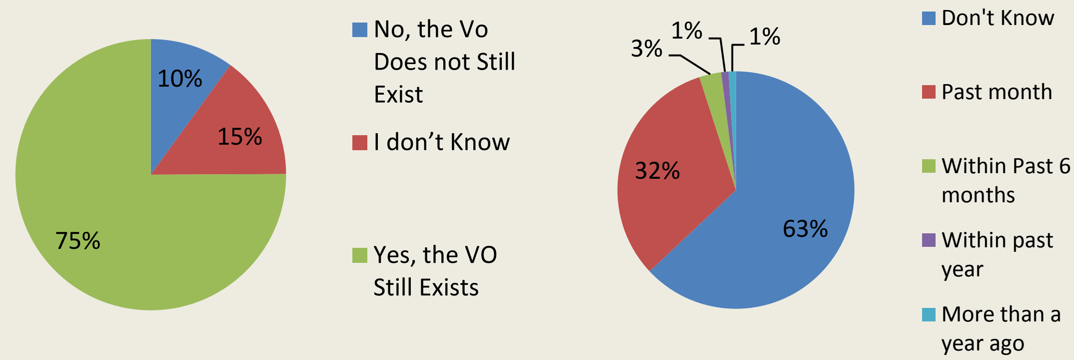
Table 6.1: Reasons for Leaving Gemi Diriya Activities by Wealth Rank

Wealth Status as Reported by Respondent	Well Off	Middle Income	Poor	Extremely Poor
% of Persons Survyed (n=500)	6%	50%	40%	4%
% of HH surveyed that particpated during Implementarion	**5%**	**44%**	**47%**	**4%**
% of HHs that reported no longer partipcating in 2014	**5%**	**40%**	**49%**	**6%**
Reasons for Leaving,	No Time, No Activities, Death in HH, "Road that was requested was not completed",	VO non- funcitoning/no more activities, meetings, lack of continued support from GD Foundation (25%); No time (work, household or family obligations , mostly applies to women) (25%); Member left Village (marriage, employment) (14%); Illness/Old Age (10%); Disaastifaction with the Functioning of the VO (corruption, change in BoD, Political party issues, etc), (7%)	Non-Functioning Village Organization; Disputes (63%); No Time (work, children) (13%); Illness/Old Age (13%); Moved Away for work (7%); Meetings are Too Far Away (6%)	BOD not honest (1); VO not Fucntioning" (`1); Have to Work (1)

Source; IEG Gemi Diriya Household Survey (2014)

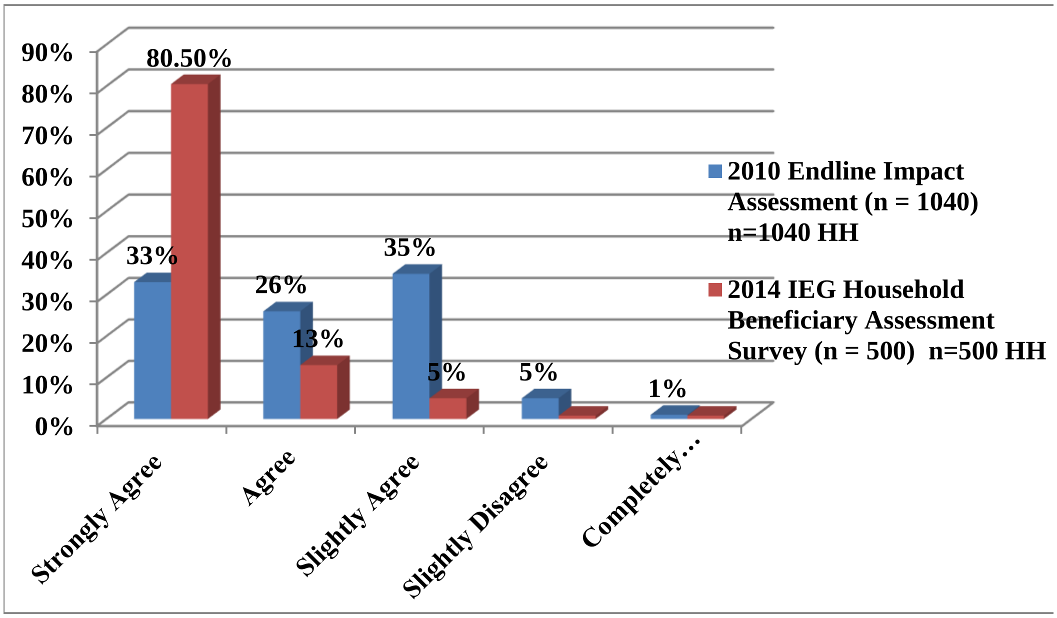
6.10 To further probe the extent to which villagers were participating in village organization meetings – to assess the quality in addition to the quantity of household participation – IEG asked Household Survey respondents if the village organization supported by Gemi Diriya still existed and if so, to indicate if they knew when the last meeting was held. IEG found that 75 percent of all households (based on the random sample selected) answered positively that the village organization was still functioning. However, two-thirds of this group could not recall when the last village organization meeting took place.

Figure 6.2: Does the VO supported by GD Still Exist? If Yes, when was the last meeting?



6.11 The individual desire, or conviction, that villagers should be responsible for the development of their village – on the other hand- was significantly higher at the time of the IEG Survey in 2014 than at project close. Recognizing the methodological pitfalls of administering repeat questions in a follow-on survey, IEG notes with interest that 80 percent of all households visited in 2014 (compared to 33 percent of all households in the end line) strongly agreed with the statement that "villagers should be in charge of their village development."

Figure 6.2 Responses to question, "Villagers should be Responsible for the Development of a Village"? 2010 - 2014



7. The World Bank's Safeguards Policies: Environmental and Social Sustainability

7.1 Gemi Diriya Phase I was classified as a category B project for the Bank's Environment Safeguard. Village level investments were expected to be small, very localized, and labor intensive. The project was not expected to have any significant impact on critical ecosystem, culturally or socially sensitive areas The GOSL carried out an Environmental Assessment and developed an Environmental Management Framework. Designed fifteen years ago, the project adopted a "wait-and-see approach" which provided Village Organizations with a tool to screen and reject investments that would potentially cause significant harm. Since the main types of interventions were generally understood at design, however, a more comprehensive approach would have been to develop a series of fit-to-purpose frameworks and mitigation plans for the different expected sub-project types. These could have then been adapted during implementation at the village and site levels, with the support of the Gemi Diriya Foundation and Bank safeguard staff.

7.2 While capacity risks were recognized early on in the project cycle, both a lack of capacity and a failure to prioritize environmental management issues resulted in a significant number of environmental management plans not being implemented. During supervision, the Gemi Diriya Foundation and the Bank found that only about 60 percent of all environmental management plans were being implemented. This was especially the case for infrastructure and agricultural livelihoods sub-projects (e.g. lack of drainage, minor erosion) where no corrective actions were taken. The Independent Assessment (2010) attributed this to the project's turning its attention to the second phase, which sought to support inter-village activities as it began to fold itself into the national Gama Neguma program.

Land

7.3 Involuntary Land Acquisition (OP4.12) was not triggered at appraisal since it was determined that most of the village sub-project activities needed very little or no land acquisition, that land needed for income generation through private enterprise would be procured at market rates, and that minor areas of land needed for uprading of common infrastructure were already available.

7.4 Although the project did not acquire private lands, it attempted to make use of government lands or lands obtained through voluntary donations from community or individuals who offered such lands for broader notion of 'community wellbeing'. The project has developed a comprehensive database on land use for various project purposes with details of ownership, size of the land, method of procurement (acquisition, direct purchase, government or through donations).

Indigenous Peoples

7.5 The Social Assessment determined that the Bank's Indigenous People's Policy did not apply to GD I even though a group of indigenous persons – the Veddas- were located in project areas in Uva Province. The decision was based on a perception that this group had already been integrated "into the mainstream" under the Mahaweli Development Program. Implementation experience confirmed that there were no groups of traditional tribals (Veddas) in the Phase I project villages.

8. Bank and Borrower Performance

Bank Performance

QUALITY AT ENTRY

8.1 Project preparation was informed by lessons drawn from the "Village Self Help Learning Initiative (VSHLI)"- a pilot scheme tested in Sri Lanka's North Central Province as part of the IDA financed Mahaweli Rehabilitation and Restructuring Project. The concept for Gemi Diriya (and the preceding pilot) emerged from the Village Immersion Program –a World Bank Management training program that placed staff in village settings for up to a month at a time. The pilot was designed to test a community-driven development model in response to perceived weaknesses of earlier World Bank financed programs in Sri Lanka that lacked of ownership at the local level, inclusion of the poorest of the poor, ant that demonstrated insufficient sustainability of investments

8.2 A seminar was organized in June 2002 to disseminate key lessons from the pilot to national level policy makers, and a series of interactive workshops were organized to design the Gemi Diriya program. VHSLI was incorporated as a separate component of the first phase of Gemi Diriya. The pilot demonstrated the feasibility of a direct funding model leading to village-wide planning, community contribution (cash and labor) for infrastructure and their involvement in implementation, operation and maintenance. It also successfully demonstrated that, within a participatory framework, communities could articulate their needs and priorities and take responsibility for implementing and monitoring village development.

8.3 The model also tested and demonstrated the village company model as being an appropriate institutional arrangement, due to its flexibility with regard to fostering a range of business options, and its independence from political influence and bureaucracy. The design of both VSHLI and Gemi Diriya itself also drew on a range of World Bank and other agencies' CDD experiences and good practices, with regards to: community ownership and contributions, direct financing to communities, accountability and transparency mechanisms, and intensive supervision. Under VSHLI, in 2001, local level and Ministry officials went on an exposure visits to Indonesia and Andhra Pradesh in India to learn from best practice CDD experiences.

8.4 During Project preparation, 30 pilot villages were selected in considerably different geographical settings compared to the irrigated areas of Polonnaruwa where VSHLI was being implemented. These villages in the uplands of Badulla and drier areas such as Moneragala engaged in intense monitoring and learning activities to fine tune the Gemi Diriya model, and they sustained their piloting role throughout the life of the Project. This helped to reduce risks identified in the PAD, such as potential weakness in VOs, low women's participation and low community willingness to contribute to costs.

8.5 The quality of design of the project could have been strengthened by identifying and engaging reform minded elected officials who had *a priori* won the support of their communities. Project design could have also been strengthened through the development and implementation of a more inclusive communication strategy to foster good working relationships with the Divisional Secretaries, the Graham Nildharis (appointed officials) and the Pradeshi Sabhas (elected local official). Through interviews with these stakeholders, for example, IEG learned that mid-way through the project, Pradeshi Ssabha members petitioned the district governments owing to the felt concern that they had been left out of the project

8.6 IEG recognizes that, on average, the level of trust between communities (especially the poorest members) and local authorities was low at the time of project design and that the overall program design was geared towards addressing this constraint. As the targeted beneficiaries were the poor and were therefore, owing to cultural norms prevalent at the time, more likely to be subdued by authority or persons with influence, the project sought to level the playing field for those that lacked voice, or agency. The expectation was that eventually, with knowledge and an increased level of confidence, these marginalized individuals would begin to interact with authorities and other service providers, and to hold them accountable.

QUALITY OF SUPERVISION

8.7 The Bank applied valuable skills to supervision. There were regular supervision missions, including workshops and cross-country visits. Missions appear to have been well staffed with appropriate skills. At the technical level, there is evidence of a high level of innovation and the creative use of experience from elsewhere and the sharing of the project experience. As discussed in the previous section on risk, in response to post Tsunami needs, the project diverted financing away from the planned village investments towards humanitarian relief. The decision demonstrated flexibility and a willingness to support the client's priority needs. The Bank was able support the effective implementation of activities in spite of this loss of funding.

8.8 The Bank helped to recruit and train hundreds of young foundation employees. Trained in various aspects of community driven development, the Bank oversaw an effective and well performing implementing agency, who though innovative new tools introduced by the Bank, were taught about responsible and accountable service delivery. The foundation- designed as a relatively autonomous implementing agency - allowed greater flexibility than a line agency and was willing to try new participatory models or pro-poor local development. However, as also discussed in the project documentation, a roadmap was needed for its evolution towards sustainable institutionalization which could have been adapted within the changing political context.

8.9 Quality at entry is rated Satisfactory. Supervision is rated as Satisfactory. *Overall Bank Performance is rated Satisfactory*.

Borrower Performance

GOVERNMENT PERFORMANCE

8.10 The Government of Sri Lanka exhibited strong commitment to the Community Driven Development, or Participatory Rural Development model. It provided adequate and timely counterpart funds and ensured compliance with all credit covenants. In spite of some start-up delays with regard to staffing, the Government respected the technical criteria for Foundation staff selection, ensured continuity both of GDF staff and management through the life of the project, and was respectful of its agreed autonomous status. The fact that the foundation effectively supported the development of 1,037 villages and an equal number of village savings and loan organizations is a testament to the Government's commitment to the recognized poverty reduction potential of the project.

8.11 The project introduced new governance innovations at the village level that had not been tested before in the Sri Lankan context. The Government fully supported the project aims of enhancing transparency and accountability between communities and their service providers –an innovation that was absent from many of the Government supported village societies. These innovations were, in parallel, receiving support at the policy level. The Government of Sri Lanka put in place a set of Guidelines and Rules for Public Procurement in 1997 (supported by the World Bank through the VHSLI) which subsequently revised in 2003/2004. The guidelines have reportedly supported marked improvements in the transparency of government procurement processes at all levels (Provincial Councils, Local Governments).

8.12 Following the 2007 national elections, project responsibility was transferred from the Ministry of Samurdhi and Poverty Alleviation to the Ministry of Nation Building and Estate Infrastructure Development. This move brought the Gemi Diriya program within the ambit of a more powerful Ministry (the President of Sri Lanka was also the Minister in charge), making it possible to strengthen the mainstreaming/integration of some of Gemi Diriya's principles and service delivery strategy into other national poverty programs. By 2008, the Bank began to test ways to mainstream the Gemi Diriya institutional and financial model into the Government's national village development, or "Gama Naguma" program. The Bank's aim was to maintain the Gemi Diriya principles, particularly participation and accountability, at the inter-village – or the Pradeshiya Sabha – level. Although originally planned for the second phase, the project agreed to begin to support larger scale inter-village infrastructure and connectivity investments at the zonal and regional level.

8.13 Designing and implementing this revised component presented several challenges. It took some time initially to overcome community skepticism that they would be given responsibility over such larger amounts of money (compared with Gemi Diriya's smaller intra-sub-projects) on the one hand, and from local officials on the other that communities would be able to handle this responsibility.

8.14 It also shed light on areas of divergence would eventually impact the implementation of Phase II with regard the project's goal of integrating the Gemi Diriya approach into the emerging national platform. While the Government of Sri Lanka exhibited strong commitment to the Community Driven Development, or Participatory Rural Development model during the early stages of project implementation, as it began to develop its own national village development program ("Gama Naguma", or "Devi Naguma" as it has since come to be known) it abandoned some of the core principles and practices that had contributed to the successful implementation of the project– including participatory poverty mapping, intense attention to inclusive group formation, strong facilitation, and the social accountability tools.

8.15 Borrower finance for the project was halved mid-way through implementation as funds were directed towards the national program and a decision was taken to disband the GD Foundation. The decision has resulted in an erosion of the significant investment that was made in the corps of (mainly) youth facilitators supported by the project, who were trained in participatory rural development – including community mobilization, support for financial literacy and services, etc.

IMPLEMENTING AGENCY

8.16 The project was implemented by the Gemi Diriya Foundation. The Foundation effectively oversaw and implemented village development activities in 1037 villages in three provinces in Sri Lanka. Recruited and trained in various aspects of community driven development by the World Bank, Foundation staff proved capable of providing support for inclusive and participatory institutional development and technical assistance in the areas of infrastructure development, financial services, and other livelihood activities. The Foundation

- as service provider - was held accountable by a village scorecard system. Its active participation in this system served as a first proof of concept of the contribution that social accountability mechanisms can play in facilitating the accurate and efficient transfer and use of village funds. As reported in the Focus Group Discussions, all issues concerning the questionable use of funds were reported to have been effectively managed by the Foundation, when and where they occurred.

Financial Management and Procurement

8.17 **Financial management and Procurement** were rated Satisfactory throughout the life of the project. Systems and capacity for sound financial management and procurement were largely in place from an early stage, and were supported by transparent and clear procedures that were rigorously implemented and monitored by the communities themselves. VOs as companies performed annual audits and most of them have done this. Although *Governance and Accountability Action Plans (GAAPs)* had not yet been introduced by IDA at the time when the Project was being prepared, in the design of the Gemi Diriya program the task team paid very close attention to the issues that GAAPs would later address. A GAAP review in 2008 concluded that "good governance principles have been infused in its [Gemi Diriya's] core values and embedded in project policies and procedures".

8.18 Monitoring and Evaluation should have been strengthened. The Foundation provided support for both the Mid-Term Review and the End Line Assessment (conducted by an external agent) and, as reported in interviews with the first phase Foundation staff, were also asked to report on village implementation through frequent, less formal interactions with the World Bank TTL and members of the team. Nevertheless, streamlining information flow between different levels of the Foundation was a recurring issue.

8.19 A moderate shortcoming was that clear mechanisms for greater linkage and convergence with line department programs and local development coordination could have been developed earlier. Similarly, engaging local politicians in policy discussions and exposing them to good examples of the village development process was inadequate until the latter half of the Project. Similarly more emphasis could have been placed on policy oriented studies to accelerate political support and engagement.

8.20 *Government Performance is rated Moderately Satisfactory. The performance of the Implementing Agency is Rated Satisfactory. Overall Borrower Performance is rated Moderately Satisfactory.*

9. Lessons

9.1 **Programmatic Approaches that involve multiple stages of lending require iterative analysis of national priorities which can be interpreted through political economy analyses. This iterative analysis is especially critical in areas or countries that are affected by fragility or conflict.** In the case of Gemi Diriya, sensitivities increased alongside efforts to scale-up a village empowerment model as the proposed federated system began to resemble too closely a parallel structure of Government. Hostilities increased sensitivities towards the composition of locally elected bodies endowed with decision-making power (and funding) designed to more effectively identify and respond to village development priorities.

9.2 **A relatively autonomous implementing agency allowing greater flexibility than a line agency may be very valuable for testing new participatory models but the roadmap of its evolution towards sustainable institutionalization, i.e. folding it back into a government institution, needs to be planned in advance and then later, if necessary, adapted as the political and economic environment evolves.** The use of a semi-autonomous implementing agency was effective in implementing an innovative new approach to rural development in Sri Lanka, but the approach lacked a transition plan and a strategy for communicating the tested merits of the new model to policy makers. Staff trained in community driven development principles ultimately found their skills to be “unsellable” within the national rural service delivery model The per unit staffing costs of the model also would have required some reconfiguration in order to bring it to scale.

9.3 **Continuity of community support up to a defined point of graduation - that includes mechanisms for involvement of the poor and the marginalized - is important for longer term sustainability of participatory community development processes.** The Gemi Diriya model was designed as a self-selecting vehicle for poverty reduction whose activities would gradually lose appeal to households moving up the income ladder. Household graduation could generate and free up resources for the remaining poor. But sustained outreach and support for inclusive participation in local decision-making across several rounds would be needed to reach the poorest of the poor.

9.4 **Synergies between the provision of financial services and complementary infrastructure investments, carefully designed, can offer compounded community welfare benefits.** In the case of Gemi Diriya, water supply projects provided an additional critical input needed to complement the financial investments made in agricultural (irrigation) and non-farm (brick-making) activities. The improvement of rural roads further supported an enhanced return on investments by improving market access.

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Annex A. Basic Data Sheet

Investing in Social Capital: Lessons from Two Decades of Village Development in Sri Lanka - An Assessment of the Gemi Dirya Project in Sri Lanka (2004-2010)

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	69.8	58.1	83.3
Loan amount	51.0	52.2	102.4
Cofinancing	n/a	n/a	n/a
Cancellation	n/a	n/a	n/a

Cumulative Estimated and Actual Disbursements

	FY05	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY11*
Appraisal estimate (US$M)	2.8	8.1	21.9	41.8	51.0	51.0	51.0
Actual (US$M)	1.5	6.6	22.4	33.3	48.4	51.0	52.2
Actual as % of appraisal	53.6	81.4	102.3	79.7	94.9	100	102.4
Date of final disbursement:							

Project Dates

	Original	Actual
Initiating memorandum	02/25/2003	02/25/2003
Negotiations	02/18/2004	02/18/2004
Appraisal	12/04/2003	12/04/2003
Board approval	03/30/2004	03/30/2004
Signing	07/29/2004	07/29/2004
Effectiveness	10/28/2004	10/28/2004
Mid-term Review	05/14/2007	06/15/2007
Closing date	03/31/2009	03/31/2009

Task Team members

Name	Title (at time of appraisal and closure, respectively)	Unit	Responsibility/ Specialty
Lending			
Meena Munshi	Task Team Leader	SASRD	TTL
Terrence Abeysekera	Sr. Econ./Co-Task Leader	SASRD	Team member
Anne Ritchie	Consultant		Commun. Fin./micro fin.
Samantha De Silva	Sr. Soc. Protection Specialist	SASED	Community developmt
Surendra Govinda Joshi	Sr. Transport Specialist	SASDT	Rural Infra. Spec.
Wahida Huq	Sr. Operations Officer	SASDA	Community Organizat. and Operational Aspects
Barbara Verardo	Social Development Specialist	SASRD	Social, gender and youth
R.R. Mohan	Sr. Social Development Spec.	SASDS	Social safeguards
Sumith Pilapitiya	Lead Environmental Specialist	SASDI	Environmental Aspects
Yoshiko Ishihara	FAO, Social/Gender Aspects		Gender Aspects
Ghazali Raheem	FAO, M&E Aspects		MIS
Deborah Ricks	Program Assistant	SASRD	Team Assistant
Gajan Pathmanathan	Sector Manager	SASRD	Sector Manager (until 2007)
Adolfo Brizi	Sector Manager	SASRD	Sector Manager 2008-09
Harini Wijesundara	Program Assistant		
Jiwanka B. Wickramasinghe	Financial Management Spec.	SARFM	Financial Management
Manvinder Mamak	Sr. Financial Specialist	SARFM	Financial Management
Parmesh Shah	Participatory/CDD Aspects		CDD/Commty Report Card
Suzanne F. Morris		LOAGS	Disbursement
Tashi Tenzing	Sr. Sanitation Engineer		Infrastructure
Vikram Raghavan	Counsel	LEG	Legal
Vinayak Narayan Ghatate	Consultant	SASDA	Business Linkages/Priv. Sector
Gajan Pathmanathan	Sector Manager	SASDA	Sector Manager
Supervision/ICR			
Terrence Abeysekera	Consultant	SASDA	Economic Aspects
Henry K Bagazonzya	Sr Financial Sector Spec.	SASFP	Community Financing
Vijaya Bharathi	Consultant		Social Mobilization
Dhimant Jayendraray Baxi	Sr Procurement Spec.	SARPS	Procurement
Vinay K. Bhargava	Consultant	SDV	Governance
Darshani De Silva	Environmental Spec.	SASDI	Environment
Vinayak Narayan Ghatate	Consultant	SASDA	Partnerships
Vichitrani Liyana Gunawardene	Rural Development Specialist	SASDA	Livelihood Aspects
Priyantha Jayasuriya Arachchi	Team Assistant	SASDO	Team Assistant
Sitaramachandra Machiraju	E T Consultant	SASDA	Bus. Promotion & Microenterp.
Manvinder Mamak	Sr Financial Management Spec.	SARFM	Financial Management
Seenithamby Manoharan	Sr Rural Development Spec.	SASDA	Infrastructure
Ramachandran R. Mohan	Sr Social Development Spec	SASDS	Social Safeguards
Sumith Pilapitiya	Lead Environmental Specialist	SASDI	Environment
Ghazali Raheem	Consultant	SASHD	MIS
Eashwary Ramachandran	Operations Analyst	SASDI	Environment
CS Renjit	Consultant	SASDA	Local Governments, and CDD aspects
Anne Ritchie	Consultant		Community Finance

Brenda Lee Scott	Information Assistant	SASDO	Team Assistant
Parmesh Shah	Lead Rural Development Spec.	SASDA	Community Organizations
Meera Shenoy	Consultant	SASDA	Employment and Youth
Mio Takada	Rural Development Specialist	SASDA	Economic and Operational
Tashi Tenzing	Sr Sanitary Engineer	SASDU	Infrastructure
Barbara Verardo	Sr Rural Development Spec.	SASDA	Inclusion, Gender and Youth and Operations
Jiwanka B. Wickramasinghe	Sr Financial Management Spec.	SARFM	Financial Management
Enoka Wijegunawardene	Financial Management Spec.	SARFM	Financial Management
Miriam Witana	Procurement Specialist	EAPPR	Procurement
Samantha de Silva	Sr Social Protection Specialist	SASED	CDD
S. Selvarajan	Economist/Consultant	FAO	Economic and Financial Analysis/ICR Team
Luis Coirolo	Lead Sector Spec./Consultant		CDD Advisor/ICR Team
Jim Hancock	Monitoring and Evaluation/Livelihood	FAO	Lead ICR Author/Team Leader

Staff Inputs (staff weeks)

Stage of Project Cycle	Staff Time and Cost (Bank budget only)	
	Staff Weeks (number)	US$ 000s (including travel and consultant costs)
Lending		
FY03	48	125.86
FY04	78	262.45
FY05		0.00
FY06		0.00
FY07		0.00
FY08		0.00
Total:	**126**	**388.31**
Supervision/ICR		
FY03		0.00
FY04	10	12.61
FY05	65	145.47
FY06	84	238.59
FY07	57	165.66
FY08	56	220.66
FY09	17	171.34
FY11	7.65	59.20
Total:	289	954.33

Annex B. IEG Household Survey Methodology

Beneficiary Survey. The purpose of the IEG household survey was to examine the extent to which Gemi Diryia's project objectives were achieved by determining: (i) whether the project supported the development of accountable and self-governing local institutions; (ii) their function during the project period; and (iii) the extent to which these village organizations remain able to manage sustainable investments in an accountable way. To track performance over time, IEG reinserted questions related to the health of the village organizations that were asked in 2010 as part of the end-line survey.

Beneficiary Selection. IEG surveyed a sample of 50 randomly selected treatment villages that were used for an end-line assessment conducted by the Sri Lankan Business Center in 2010. The survey questionnaire is reproduced in Annex B. The 2010 end-line assessment collected data from a random sample of 72 of the 1,034 Villages included in the project, and compared these against 21 non Gemi Diriya villages (used as a control).[5]

In order to select 50 villages from the 76 villages used in the impact evaluation, IEG devised a proportional random sample with weights that corresponded to the number of villages from each of the three provinces according to the weighting/coverage given in the impact evaluation. The sample was then split evenly between early batches (1 and 2) and later batches (3 and 4), (see Table 1). Within the villages, at the household level, households were randomly selected using voter registration lists provided by the village administrator. The field team visited the select households and spoke with whichever adult answered the door. If there was no one home at the randomly selected household, the team interviewed a respondent from the nearest household.

Table 9.1: Proportional Sample Allocation

PROVINCE/BATCH	EARLY BATCHES (1&2)	LATE BATCHES (3&4)	TOTAL
Uva	12	12	24
Southern	7	7	14
Sabaragamuya	6	6	12
Total	25	25	50

[5] The sampling methodology employed by the external end line assessment included the following: (1) The projects were clustered by sequential batches according to when the project intervention was given to a village (pilot, batch 1 – 4); (2) Weights were then assigned according to maturity level of the project and number of villages in each batch and villages were randomly selected. The rationale behind a preference for the earlier batches was that some of the villages that received the project at later phases had yet to make it past certain milestones set by the project office at the time of the end line assessment and therefore had not been fully exposed to the program; (3) Twenty households per village were randomly selected and these households were administered the survey.

Table 2 provides general descriptive statistics for the beneficiary sample and Table 3 lists the districts and the randomly selected villages that were visited by the IEG assessment.

Table 9.2: Sample Composition of the PPAR Assessment (n=502)

Sex	302 Female (60%), 200 Male (40%)
Age	18-25: 34 (6.7%) 26-45: 210 (41.8%) 46-65: 211 (42%) 66 + : 47 (9.3%)
Gemi-Diriya Status	349 (69.5%) of respondents indicated that someone in their HH was at one point in time a member of Gemi Diriya.
Self-reported HH Wealth Level	Very Poor: 23 (4.5%) Poor: 199 (29.6%) Neither Rich nor Poor: 251 (49.8%) Well Off: 29 (6.2%)

Source: IEG

Table 9.3: Divisions selected

District	Division
Uva	Badalkabura, Hali Ela, Kandeketiya, Madagama, Madulla, Mahiyanganaya, Meegahakiula, Moneragala, Passara, Redeemaliyadda, Siyambalanduwa, Soranatota, Uvaparanagama, Welimada, Wellawaya
Southern	Agunukolapelessa, Beliatta, Hakmana, Katuwana, Mulatiyana, Thangalla, Walasmulla, Weerakatiya, Yakkalamulla
Sabaragamuya	Godakawela, Kalawana, Kolonna, Kuruwita, Pelmadulla, Rathnapura, Welgiepola

Source: IEG

Table 9.4: Villages Randomly Selected for Semi-Structured Interviews	
District	**Village (Division)**
Uva	Dangamuwe (Uvaparenagama), Hidikiula Rathmalgama (Moneragala) Welaoya (Kandeketiya)
Southern	Adupelena (Tangalle), Konkarahena (Walasmulla), Dikewawe (Agunakolapelessa), Gahalakoladeniya (Yakkalamulla), Radaniara (Walasmulla)
Sabaragamuya	Eratna (Kuruwita), Panagama (Pelmadulla), Mawethalanda (Godakawela), Kotakethanna (Godakwela)

Assessment Limitations

The assessment was not intended to provide a comparative analysis between control and treatment groups. The assessment was designed to collect beneficiary feedback in a systematic manner, which allowed IEG to validate the ICR findings (which were drawn from an end line assessment), as well as determine additional perceptions about the project and its sustainability five years after project close.

Annex C. Persons Consulted*

Name	Title	Location
Government of Sri Lanka (National)		
Dr. P.B. Jayasundera	Secretary to the Treasury	Ministry of Finance & Planning
Mr. Priyantha Ratnayake	Director General, Head of the Department of External Resources	Department of External Resources, Ministry of Finance & Planning
Mrs. Darshana Senanayake	Director General	Department of Project Management and Monitoring, Ministry of Finance & Planning
Ms. Ayanthi de Silva	Additional Director General	Department of Project Management and Monitoring, Ministry of Finance & Planning
Mr. Ajith Abeysekara	Additional Director General	Department of External Resources, Ministry of Finance & Planning
Ms. Arunasalam Kavitha	Assistant Director	Department of External Resources, Ministry of Finance & Planning
Udayangani Kumarihami	Development Officer (WB Division)	Department of External Resources, Ministry of Finance & Planning
Mr. S. K. Liyanage	Project Director , Gamaneguma Second Community Development & Livelihood Improvement Project	Ministry of Economic Development
World Bank		
Doina Petrescu	Program Leader	Africa Country Director Groups, WB Office: Yaoundé - Central Africa, World Bank
Meena Munshi	Senior Economist	Agriculture Department- Global Practice, World Bank
Seenithamby Manoharan	Senior Rural Development Specialist	Agriculture Department- Global Practice, World Bank
Donor and Research Partners		
Mr. Anura Herath	Country Program Office	IFAD
Ms. Beth Crawford	Representative	FAO
Golom Abbas	Representative	UNHCR
Mr. Guiseppe Crocetti	Chief of Mission	IOM
Sri Widowati	Country Director	ADB

Ahsan Tayyab	Unit Head, Portfolio Management	ADB
Nelun Gunasekera	Social Development and Gender Specialist	ADB
Mr. Subinay Nandy	Resident Representative	United Nations (One UN)
Ms. Lovita Ramguttee to	Deputy Country Director	UNDP
Dr. Herath Manthrithilake	Head	Sri Lanka Development Initiative International Water Management Institute
Provincial, District, GN, and Local Officials (Appointed, Elected)		
Mr. D.M.P. Bandara	Government Agent	Ritigahawatta GN Division, Moneragala, Uva
Mrs. E.P. Swarna Athugala	Government Agent	Hidikiula Rathmalgama, Moneragala, Uva
Mr. H.P. Kularathne	Chief Secretary	Sabaragamuwa Province
Mr. Weerasooriya	(Acting) Graham Nildhari	Ratnapura district, Sabragamuwa
Mr. Rohan Keerthi Dissanayake	District Secretary	Badulla
D C Samaraweera	Graham Nildhari	Uvaparanagama, Badulla, Uva
Mrs. Nirosha Jayarathna	Graham Nildhari	Palugamaella GN Division, Badulla, Uva
Mrs. Upali Rathnayake	Graham Nildhari	Matiwela Landa GN Division, Badulla, Uva
M S S Kumari	Graham Nildhari	Welaoya, Badulla, Uva
Ms Atukorala	Chief Secretary	Southern Province
Ravindra Hewawitharana	District Secretary	Galle, Southern Province
J.N.Shamalee	Graham Nildhari	Walasmulla, Hambantota. Southern
P. Prasad Chaminda	Graham Nildhari	Agunukolapelassa, Hambantota. Southern
W.N.P. Susantha	Graham Nildhari	Thangalla, Hambantota. Southern
Mr. RC DeZoysa	Graham Nildhari	Walasmulla, Hambantota, Southern
Mr. Wimaladasa	Graham Nildhari	Pelmadulla, Ratnapura, Sabragamuwa

MDS Nilmini Kumari	Graham Nildhari	Godakawela, Ratnapura, Sabragamuwa
DKN Gunesekera	Graham Nildhari	Godakawela, Ratnapura, Sabragamuwa,
Mr. Darmesana-	Pradeshya Sabha Member	Ratnapura District, Sabragamuwa
Mr. Sunil Kanngara	District Secretary	Ratnapura District, Sabragamuwa
Pradeshiya Sabha Member	Pradeshiya Sabha Member	Galle District, Southern
	Chair, Pradeshya Sabha	Madulla
Ms. Samanthi Ranasinghe	Divisional Secretary	Ella
Mr. Rohan Keerthi Dissanayake	District Secretary	Badulla
Mr. H.P. Kularathne	Chief Secretary	Sabaragamuwa Province
K.E. Rohana	Graham Nildhari	Katuwana, Hambantota. Southern
Mr. Hewavitharane	Graham Nildhari	Galle District
H.D.S. Thilakarathne	Graham Nildhari	Weeraketiya, Hambantota. Southern
M. Chandradasa	Graham Nildhari	Weeraketiya, Hambantota, Southern
A.K. Daglus	Graham Nildhari	Beliatta, Hambantota, Southern
H.P.Bandula	Graham Nildhari	Yakkalamulla, Galle, Southern

*Other Persons consulted include (1) 216 villagers in the 12 Villages selected for Focus Groups, (2) 500 persons residing in Gemi Diriya Phase I Villages that took part in IEG's Household Survey**.**

Annex D. Borrower Comments

විදේශ සම්පත් දෙපාර්තමේන්තුව
வெளிநாட்டு வளத் திணைக்களம்
Department of External Resources

ප්‍රතිපත්ති සම්පාදන, ආර්ථික කටයුතු, ළමා, තරුණ හා සංස්කෘතික කටයුතු අමාත්‍යාංශය
මහලේකම් කාර්යාලය (3වැනි මහල), තැ.පෙ. 277, කොළඹ 00100, ශ්‍රී ලංකාව
கொள்கைத் திட்டமிடல்; பொருளாதார அலுவல்கள், சிறுவர், இளைஞர் மற்றும் கலாச்சார அலுவல்கள்
அமைச்சு, செயலகம் (3ஆம் மாடி), த. பெ. இல. 277, கொழும்பு 00100, இலங்கை
Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs
The Secretariat (3rd Floor), P.O. Box 277, Colombo 00100, Sri Lanka

Web Site:www.erd.gov.lk e-mail: info@erd.gov.lk

මගේ අංකය / எனது இல. / My No } ඔබේ අංකය / உமது இல / Your No. } දිනය / திகதி. / Date. } 2015-01-22

RECEIVED
23 JAN 2015

Ms. Francoise Michele Clottes
Country Director
World Bank –Colombo Office

Dear Madam,

Report on Investing in Social Capital: Lessons from Two Decades of Village Development in Sri Lanka Project Performance Assessment Report, Gamidiriya Project (2004-2010)
- **GOSL Views**

This refers to the above drafted report dated 08/12/2014 sent for GOSL comments.

It is our understanding that the above report has been basically prepared to assess the performance of Phase 1 of the Gemidiriya Project which was implemented during the six year period from 2004 to 2010. However, the report compares and contrasts the progress made by similar projects during the last two decades which were implemented with different development policy contexts. This cannot be accepted at the final performance evaluation stage of this particular project.

Apart from that, we have found that many of the data and some statements mentioned in the report are inaccurate, incorrect and are not in a proper manner. The facts mentioned in the report may confuse the readers. For example, in page number 8, 2nd para indicates that the selection criterion for "Janasaviya Program" is less than Rs 2,500 a month in 1977. This is a faulty statement as "Janasaviya programme" was implemented from 1989 onwards. In page number 20th, fifth para indicates that average unit cost of the Government constructed concreted roads was Rs. 3295 per k.m. as compared to Rs 1863 per k.m. for a Gemidiriya concreted road. Most of the judgments that the report has arrived have not been made on the scientific way..

The GOSL feels that the report does not properly reveal the number of active Village Organizations (VOs) and the amount of funds remaining in VOs and the number of beneficiaries at present in those organizations. This report also does not specifically reveal the number of infrastructure projects that were provided by the project and their location. Moreover, no

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assessment has been made on the outcomes in terms of the upgraded living conditions of the people concerned.

In view of the above, you will no doubt appreciate the fact that the overall judgment, data and facts mentioned in the document have to be re-checked, re-corrected and re-edited to avoid unnecessary confusions to the reader. The GOSL would be able to comment on a report which is properly documented on the above grounds.

Your understanding and cooperation in this regard is very much appreciated.

Yours faithfully

Ajith Abeysekera
Additional Director General
for Director General

Copy:

1. Director General, Department of Project Management and Monitoring
2. Director General, Department of National Planning