Rural Development in Sri Lanka

Kurunegala Rural Development (RD) Project was the first integrated RD project in Sri Lanka. Overall, notes a recent OED audit, “this was a successful project whose experience helped to shape the country’s subsequent RD efforts.” Government commitment played a vital role in project success. Unlike many other RD projects that the Bank has supported, this project was implemented through line agencies already in place, rather than through a specially created project unit. The report offers useful insights on the implementation of rural development programs through decentralized government agencies.

Project goals, design

The project (approved 1979, completed 1986) was designed to produce a replicable model of regional development that would raise productivity, employment, incomes, and living standards by strengthening development-oriented services and making critical complementary investments in physical infrastructure. An IDA credit provided $20 million of a project cost of $30 million.

The Government was closely involved in conceptualizing, identifying, and preparing the project. Bank staff had at first identified a project largely based on physical infrastructure and productive components, but the Government called for an integrated project with components in the social sectors. As appraised and implemented, the project consisted of: rehabilitating existing irrigation schemes and improving water management; rehabilitating coconut plantations; strengthening agricultural extension services; improving agricultural input supply services; strengthening agricultural credit facilities; and improving the effectiveness of transport, health, education, drinking water, and rural electrification facilities.

Though organizationally complex, the project was to be implemented through existing line agencies—12 ministries and 20 agencies. In Sri Lanka, unlike many of the countries to which the Bank lent for integrated RD in the late 1970s, the basic institutional framework needed for implementation was in place when the Kurunegala project was conceived. The Government intended the project to complement the measures being taken at the time to empower district administrations, decentralize the capital budget, and promote village-level development initiatives. Kurunegala district’s fairly large area and population, and its varied ecology and farming patterns, made it a suitable administrative unit to test whether an integrated RD approach, implemented through existing agencies, would work. (Kurunegala’s area is 4,800 square km; its 1990 population was 1.4 million.)

Results

On the whole, the project was successful. Limited capacity in the line agencies, shortages of staff, and budgetary problems were the main reasons for a two-year implementation delay. Concentrating the agricultural components on paddy and coconut—both crops in which Sri Lanka has traditionally been competitive—made the project economically viable. But the project did not address the needs of the upland, dry zone, farmers in the north of Kurunegala district, who are an important segment of the district’s poor farmers.

Irrigation and water management, the largest component (39 percent of project costs), achieved most of its physical targets. All 9 major schemes and 453 minor ones were rehabilitated, though poor quality work on the downstream component of the minor irrigation schemes meant that maintenance expenditures were needed sooner than expected.

Water management did not improve. This was largely because designs did not account for the risk of water shortages for the Yala (off-season) crop, lack of operational plans to involve farmer groups, and lack of attention to differences in ecology and farming patterns across the district. Cropping intensity has thus been lower than expected; the minor irrigation schemes have only stabilized the Maha (wet) season crop, and have not increased the Yala crop.

Ways to improve water management and cropping intensity might include:

- using field pumps where possible rather than relying wholly on gravity-based systems;

“Performance Audit Report, Sri Lanka: Kurunegala Rural Development Project.” Report No. 10970, August 3, 1992. OED reports are available to Executive Directors and Bank staff from the Internal Documents Unit and from Regional Information Centers.
making maximum use of rainfall;
switching to higher-value crops in some cases; and
more participation by water users in managing facilities.

Beneficiaries for the minor irrigation schemes were selected according to physical and technical criteria laid down by government, but their opinions were not sought and they did not contribute to planning and implementing the rehabilitation or, later, to water management. Such participation would have much improved the performance of these schemes, which are eminently suitable for community-based management through water user associations.

A groundwater component developed 88 test wells and 200 tubewells. It cost more than planned, but made possible production of high-value crops and vegetables in some dry areas of the district, greatly enhancing the incomes of small producers. Other government programs, with donor assistance, have now begun to exploit this resource.

Coconut development: Physical rehabilitation targets were exceeded—nearly 80,000 acres of plantations were rehabilitated, compared with the appraisal target of 60,000—and so were targets for replanting and underplanting. The project did not make adequate provisions for improving the management of existing trees, which made up 70 percent of the area under coconut.

The promotion of intercropping (of pineapple and pepper, for example) with coconut achieved less than half its appraisal target; farmers were unfamiliar with the technology, some of the soils were unsuitable, and rainfall was inadequate. As output prices declined and the real subsidy rate decreased, farmers did not find intercropping profitable. As a result, home gardens and a horticulture program were introduced.

Farm credit (29 percent of project costs): Disbursements for paddy cultivation and coconut fertilizer were slow. Recovery rates were about 80 percent for paddy, 60 percent for farm machinery, and more than 90 percent for vegetable production. Four-wheel tractors were to have been financed but turned out to be too expensive for most farmers; instead, the project financed four times as many two-wheel tractors as expected. These had multiple uses year-round, both for farm work and for transport. The question arises, though, whether the project should have been providing subsidized credit to the better-off farmers.

Input supply: despite the construction of 57 stores, farmers continued to purchase much of their fertilizer from private traders whose credit arrangements were more convenient. A seed processing center was built, but farmers continued to obtain large quantities of seed from outside sources.

Social infrastructure: Facilities constructed or improved (13 percent of project costs) included rural roads, health care centers, educational facilities and equipment, rural electrification, and wells for drinking water, all in line with SAR targets. The investments benefited the receiving communities but were rather small compared with needs in the district.

Many of the new wells quickly became contaminated with iron. The GTZ (German Technical Aid Agency) village drinking water program took over from the village water supply component of the Bank-assisted project and has developed a technical solution for this problem. A significant achievement is the system of social responsibility the GTZ program has developed among villagers to manage the wells. This experience contrasts sharply with the top-down management of the minor irrigation schemes under the Bank-assisted project.

Institutional impact

The project successfully furthered the decentralization of administrative, technical, and financial decision making and the evolution of development-oriented institutions at the district level. During the implementation period the project provided half the annual capital budget of the District Administration (DA). It allowed an important refocusing of the DA's task toward development-oriented activities.

Though at the design stage Government had envisaged an integrated project, in practice the components were disparate and carried out separately from one another—a development which may have contributed to project success. Project design did not address clearly the specific functions of individual agencies and the interrelationships between them. Neither did it allow for much flexibility in the implementation phase. With hindsight, more flexibility should have been built into project design.

Sustainability

The removal of fertilizer subsidies has resulted in a sharp decline in fertilizer use on coconut in the past two years. Unless profitability goes up yields could decline further.

In general, the assets created under the Kurunegala project need an injection of funds for their upkeep. The line agencies that were expected to maintain them have seen their budgets shrink, and maintenance and upkeep are not adequate or timely. Staffing levels decreased after project completion and several staff who had gained valuable experience left the country as the security situation worsened.