Country Case Study – “Regional Rural Development Project (RRDP) Kandy, Sri Lanka”

Summary Ex-Post Evaluation – Sustainability of Regional Rural Development Programmes (RRD)
Preface

This study was commissioned by the BMZ (Division for Evaluation of Development Cooperation). It is an independent evaluation which was carried out by the “Centre for Poverty Reduction, CEPA” in Colombo, Sri Lanka in 2003/2004 by the consultants Sunil Bastian, Neranjana Gunetilleke, Azra Jafferjee, and Nireka Weeratunga. The views and opinions expressed in the report do not necessarily correspond to those of the BMZ. However, a comment by the BMZ can be found at the end of the summary.

The present document is part of a series of four ex-post evaluations on Regional Rural Development Programmes in Indonesia, Sri Lanka, Tanzania and Zambia which were implemented between the 1970s and the 1990s. The evaluation itself was carried out in 2003 and 2004 applying specific questions and methods. One characteristic of the evaluation is that the BMZ commissioned professional local consultants, in order to obtain a “local perspective”. Altogether the key objectives of the evaluation were:

- the widening and deepening of our understanding of the outcome and long-term impact of German cooperation projects and of the underlying conditions for success;
- the introduction of a different vantage point for the analysis of the outputs, outcome and impact of German cooperation projects by charging local research institutions and/or consultants with the actual evaluation work; and
- the further refinement of the ex-post evaluation methodology.

In addition to the four country case studies a synthesis report is available (see inner cover page for contact details).

Division for Evaluation of Development Cooperation
Summary of Evaluation

The views presented in this study are opinions held by the independent external experts.

1. Background and objectives

In recent years there have been increasing calls for development cooperation, and in this case, German development cooperation to justify its investments in terms of impact on the ground. Following this the German Federal Ministry for Economic Cooperation and Development (BMZ) launched a series of evaluations on the long-term impact of its aid. The first series of such evaluations involved 32 completed projects and the second series, initiated in 2003, involves four completed Integrated Rural Development Projects.

The BMZ-supported Regional Rural Development Programme (RRDP), located in the Kandy district of Sri Lanka and implemented from 1987 to 2000 by the German Technical Cooperation (GTZ), was chosen as one of the case studies and the Centre for Poverty Analysis (CEPA), was contracted by the BMZ to undertake the evaluation over the period September to December 2003.

The objective of the evaluation as articulated in the BMZ terms of reference is,

“The independent, external assessment of the impact, relevance and sustainability of the long-term development activities within the framework of IRDPs and the underlying conditions for success.”

Given the ex-post nature of the evaluation, the impact is assessed in terms of ultimately “what remains on the ground” and what we can learn from it for future project planning and implementation. Hence, emphasis is laid on the policy orientation of findings and the recommendations to be derived from them.

2. Methodology of the study

The methodology adopted for the study varies from typical in-project evaluations. The evaluation focuses exclusively on impact, that is, what has changed owing to the RRDP’s thirteen years of implementation and what lessons can be learnt for development planning and practice. Of less interest is whether the goals and objectives set out by the RRDP have been achieved. In that sense, this evaluation has a strong policy and learning orientation and the methodology adopted for the study is reflective of this.

This methodology can be broadly termed as the “funnel approach”, which has been applied by the BMZ in its first series of evaluations. CEPA uses this approach as its starting point, but adapts it to suit the context in which it is applied and in a way that can best bring out policy lessons.

Briefly described, the funnel approach first looks at changes in the immediate and broader project environment and then tries to establish linkages between such changes and the project interventions. The immediate environment is the Kandy district while the broader environment would include the provincial and even the national level.

The practical application of this methodology comprised a four-step process. The first step identifies the basic fields of investigation. These fields, while linked to the overall work of the RRDP, are not primarily determined by it. They are selected on the basis of their insightful value, i.e., their ability to provide clues as to the essence of the impact, relevance and sustainability of the RRDP, the interests of the BMZ and the views of the study team. The second step elaborates these fields of investigation through a “context review” of changes and trends in the particular field,
using secondary literature and data. On the basis of this review, the third step specifies a number of key research questions or focus areas for study that guide the field research. While the first step concentrated on identifying fields within the projects spatial context, the fourth step looked at important fields of investigation at the macro level, outside the spatial context of the project. Here, overarching policy issues relevant to the context of IRDPs and issues of the time. A similar context review and elaboration of research areas takes place in step four.

The outcome of this four-step framework was the selection of three basic fields of investigation which form the basis of the evaluation and are referred to as the main study components. They are:

a) Policy and Institutional arrangements for decentralised development
b) Enterprise promotion in facilitating decentralised development
c) Village development as an enabling factor for decentralised development.

The first component is selected as it formed the core of the philosophy of IRDPs, that of decentralised development. Moreover, support to the administrative and institutional apparatus was a major objective of the RRDP. Component two, enterprise promotion in facilitating decentralise development, was selected since Kandy, being the ‘second capital’ of Sri Lanka, is logically placed to be a hub of business activity. Whether this is the case is discussed in the report, but the importance of the topic is nonetheless relevant for the Kandy district, and as will be seen, was also to become a major feature of the RRDP. The third component, that of village development as an enabling factor for decentralised development, was identified because of its direct poverty relevance on the smallest unit of analysis – that of the village and household. Hence, while component one focuses on more macro and meso level issues and component two on the meso level, component three focuses on the very micro level, down to impact on individual households.

3. Context review

The context review of component one provides an overview of the policy and institutional framework within which the RRDP operated. The focus is on what the BMZ terms of reference calls the “overall policy framework(s) of Sri Lanka, including frameworks for sectoral and regional development”.

The review shows that The RRDP existed at a time of significant reform of the structures of the Sri Lankan state. Specifically, the most important reforms that took place during this period were the establishment of provincial councils and divisional secretariats. These reforms had a far-reaching impact on the state structure. In other words the RRDP had to carry out its task of institutional development of sub-national units in the context of these reforms. The two broad areas of reforms involved reforms at the level of districts and sub-districts and the establishment of provincial councils. The reforms at the district and sub-district level involved the setting up of district and divisional development councils which were prompted by the 1971 insurgency and a reaction by the Centre as a way of re-establishing control over the regions through development. The establishment of the provincial councils was a direct outcome of the aggravation of the ethnic conflict in the early 1980s, when under pressure from India, Sri Lanka agreed to devolve power to the provinces.

Following from this review, the major fieldwork phase of the study places the work of the RRDP in the context of the overall policy framework, to arrive at the impact, relevance and sustainability of the institution development efforts undertaken by the project.

The context review of socio-economic trends in the Kandy district shows that despite good
achievement on social indicators (access to electricity, safe sanitation, good housing quality), Kandy reports relatively sluggish rates of economic growth. According to data for the mid 1990s, Kandy ranked almost at the bottom of the list of districts in GDP growth. This is mostly attributed to lack of growth in areas outside the city of Kandy, with the growth impetus concentrated in the city. In particular, some surveys show that agriculture, which still predominates in the Kandy district, records very low levels of productivity, even in comparison to Nuwara Eliya and Matale, the other two districts of the Central Province. Given this backdrop, the focus of the village development component is to assess the impact of the RRDP interventions in boosting productivity and incomes of its targeted rural poor.

The review of trends on enterprise development shows that the Kandy district in the last decade has not experienced a significant increase in employment, despite considerable entrepreneurial activity, as revealed by the increase in the number of enterprises. The first half of the 1990s was relatively favourable for enterprises and production and sales were high, according to the findings of a number of research studies. They also indicate that this was also translated into a higher level of investment between 1996-1998. However, the end of the decade saw a downturn, attributed primarily to external economic factors. Employee turnover was high throughout the period, as revealed by the Enterprise Survey.

The enterprise development component places the impact of the RRDPs approach to enterprise development and private sector promotion within this framework. It looks at the viability and sustainability of these efforts, the efficacy of promoting primarily micro and small enterprises in the Kandy district as a means of poverty reduction and the contribution of the RRDP to the impact (positive/negative) of enterprise/private sector promotion within the Kandy district.

4. Project overview

From the point of view of the RRDP, the project spanned four phases during its 13 year implementation period. It began halfway during the period of IRDPs, which commenced in Sri Lanka in 1975 with the Kalutara IRDP and ended with the onset of the Regional Economic Advancement Programmes in the late 1990s. The RRDP followed the concept of regional rural development developed by GTZ/BMZ, which was guided by four principles. They were poverty orientation, sustainability, target group orientation and participation. These principles were embodied during the four phases of the RRDP, namely orientation, innovation, consolidation and dissemination.

The report provides a background of the major focus and activities of the concept as designed by GTZ/BMZ. However, the evaluation focuses its findings on the three main study components, which cut across these phases. Village development activities were the focus of project attention during its first two phases, when it concentrated on the five divisions of Pathahewaheta, Udadumbara, Medadumbara and Gangaihala Korale. Subsequently, from the third phase onwards the project increasingly turned its attention towards enterprise development and private sector promotion which took a regional character, spanning the entire Kandy district.

The institutional development component cut across the entirety of the project phase, although with a different character. Early activities at institution development were concentrated at the divisional level with a focus on imparting tools for participatory development planning. Later, the regional planning orientation of this component took over with efforts concentrated on the provincial planning unit and heavy emphasis on development geographical (regional) information systems.
5. **Main conclusions and lessons learnt**

The findings of the three study components focus on the three aspects of impact, relevance and sustainability, which are outlined in the BMZ terms of reference. The findings and lessons learnt, presented in Chapter six are summarised below.

The RRDP was implemented from 1987 to 2000, a turbulent period in Sri Lanka's political history. On the one hand, the aspirations of the Tamil ethnic minority in the North East expressed in armed conflict challenged the structure of the central government and sparked off various experimental attempts at decentralization. On the other hand, the militancy of extremist youth forces in the south galvanized the government towards efforts to achieve broadbased development and poverty reduction in the rural hinterland of the country. Kandy, the fourth populous district of the island, with low per capita GDP levels, high levels of income poverty and a declining agrarian base was deemed appropriate for the kind of intervention that an integrated development project could offer.

However, the kind of financing available could not lead to a large-scale project with a wide geographical spread, as was the case with many other IRDPs implemented elsewhere in the country. Thus, the project, stressing “regional” over “integrated”, was limited to five divisional secretariat divisions for much of its lifetime with institutional development as its major concern. This already constrained the project, operating as it was, within a political system that depended on distributing benefits to as large a constituency as possible. The reservations expressed by both the political and administrative hierarchy of the district towards the RRDP has to be understood in this context.

What distinguishes the RRDP is not so much its broad objective of ameliorating the conditions of the poor but the specific means or the strategy through which the project wanted to achieve this objective. This specific strategy was to depend on institutional development as a principal means through which these development goals could be achieved. In other words, the underlying assumption of this development idea was that more than anything else, it was the lack of institutions with certain characteristics and that implement projects through certain methods, that explain the conditions of the poor people.

The institutional development component of the project comprised three analytical concepts as identified in the study, namely instituting participatory development methods at the village and divisional level, strengthening regional development through support to the provincial council and the promotion of regional economic growth through private sector development.

The efforts at instituting participatory methods at the local level left a number of tools and methods for more efficient planning and GIS based methods with a proportion of counterparts who were trained under the project. The most significant and sustainable impact of these efforts was at the level of the individual officers who use their newfound skills in varying degrees and intensities. The use of resources produced by the project such as maps and divisional profiles are still evident in the offices of some divisional secretariats.

Beyond the individual, however, in institutional terms there has been very little sustainable impact. While the tools and techniques remained with a handful of isolated enthusiasts who continued to practice them whenever they have the opportunity to do so this did not necessarily make a dent in the way the institutions to which these individuals are attached currently carry out planning or decision-making. What goes on as planning in the divisional secretariats is still a list of activities with poor problem analysis and a vision for the division.
The strong feeling that participatory procedures were really meant only for investments brought in by the project and the difficulty of following the cumbersome planning techniques that were introduced in the context of the workload faced by the DS’s, were cited as explanations. The relevance of the RRDP efforts to institutionalise participatory planning methods at the local administrative levels was found wanting and points to an insufficient appreciation of the administrative setup and mandate of this sub-district unit. In other words, it was understood as merely an agency administering development, which it is not.

Thus, by and large, the project was not successful in institutionalising planning methods within the DS divisions in which it operated. The lack of institutionalisation of the RRDP efforts to strengthen regional development through support to the provincial council was also evident. This is most evident in the way the GIS-based regional information system is currently used. While the database is appreciated, no government institution has allocated resources to update it in a sustainable manner. More importantly, the RIS, which was envisioned to provide spatial planning data for regional economic promotion, enterprise planning and marketing, is barely used by the private sector or policy makers. In other words, the setting up of the RIS has not influenced the overall capacity for planning within the provincial planning unit.

In terms of what has been 'left behind' in the promotion of regional economy, in policy terms, the impact was more significant. The project developed close links with the RDD and substantively influenced the emergence of the regional economic advancement programme concept with a number of key players within the Ministry. It thereby provided an impetus for the acceptance of enterprise promotion and private sector participation as part of rural development. It has to be said, nonetheless, that part of the success with the RDD has to be attributed to the fact that the RRDP shift fitted in with a process of change that was already going on within the RDD.

In terms of institutionalising enterprise promotion, the Provincial Enterprise Promotion Centre (PEPC) was an institutional failure. However, it left behind an embryonic network of private sector institutions, which are currently more aware of their role in regional development, as well as a need for unity to accomplish goals over and above personal agendas. It has to be stated that other donors besides the RRDP also contributed to this development. However, this network, as yet, has tenuous links with the individual micro, small and medium enterprises that the project sought to improve. While the CICCP, which had been courted to take over the mandate of the PEPC, has so far been unable to do so, an unintended impact is that some state institutions and NGOs have taken on some of the envisaged functions of the PEPC. The RRDP has also contributed to private-public sector cooperation within the district by involving both sectors including the Board of Directors of the PEPC in its development activities. Private sector representatives now sit on state development committees and are consulted on regional economic development issues. The public sector accepts that the private sector has a role to play, although there are doubts as to its capacity to fulfil this role, especially in the Kandy district.

What is most remarkable is that despite the collapse of the majority of those enterprises most appear to have expanded and continue to thrive today, although they are unable to sustain the same spurts of growth that they experienced soon after RRDP support. They have also, on average, at least doubled the number of employees from the period of initial support. The poverty reduction impact of this employment creation remain difficult to gauge.

In terms of village development, the RRDP appears to have mixed results. Where most
resources were utilised – i.e. livelihood (income) improvement, very few projects initiated by the project have survived. This is especially true for the group livelihood/enterprise projects of the 1990-1996 period. Most livestock and fruit crop cultivation projects also failed as income generation prospects for individual households. The only exception, to some extent, is dairy farming. Around a third of beneficiaries organized around milk collection societies initiated by the project are considered as successfully engaging in dairy production and all claimed better knowledge of dairy farming because of the project.

Economic infrastructure development at the village level was identified as the most successful part of this component. On one hand, roads and irrigation structures initiated by the project are still surviving and have had a positive impact on accessibility, connectivity and decreasing transaction costs in the case of the former and agricultural productivity in the case of the latter. On the other hand, most village-level institutions envisaged to maintain this infrastructure are not existing or functioning. This is particularly true for roads, where sections are in states of disrepair with communities lacking organizational structures for raising resources for rehabilitation. In the case of irrigation infrastructure, existing farmer organizations appear to maintain these, depending on participation rates and the importance of cultivation in their means of livelihood. Nevertheless, in terms of impact on the ground, literally, village level infrastructure development is assessed by the study to have had the more sustainable impact, not least because it matched with village level priorities and concerns.

Applying the concept of instituting participatory approaches at the village level, the findings show that while the project applied the ‘group approach’ to its income generating activities, the resilience of group survival was highly related to the fortunes of the activity. In instances where group formation was central to the enterprise, for instance with milk collection, group processes had a higher survival rate. In one site where the dairy industry flourished, thanks to the linkages mentioned above, the dairy group expanded in to an umbrella association for the division. However, such instances were few owing to the survival rate of many activities. In the area of group maintenance of infrastructure, a classic community level activity, the findings show farmer organizations are active and take responsibility for maintenance of minor irrigation schemes, which is rather because of to an age-old tradition than project-supported processes. Similarly, the minor maintenance of roads and footpaths is done through “shramanda” according to traditional village practice, although maintenance funds set up by the project have long disappeared. When it came to the selection of activities to support, the project went through the ritual of participatory planning and identification. Nonetheless, it has to be questioned as to whether in these instances participation becomes an orthodoxy (in spite of it being a guiding principle for GTZ in its support for regional development). The fact that well networked villages in the Kandy district are well-versed in communicating their needs through petitions and other political processes might question whether the ritual of participation can sometimes be done away with.

With its small budget and technical input orientation, the RRDP primarily aimed at instituting efficient planning processes at the administrative level. All indications are that it did not accomplish this goal. However, it did have a number of trickle-down impacts with multiplier effects, some of them unintended. The introduction of planning tools and a regional information system had a positive impact on a number of individual professionals, who continue to put into practice the knowledge they had acquired. The project also played a pivotal role in the expansion and growth of the majority of enterprises it supported in the latter “consolidation phase”. In addition, it contributed to generating the embryo of a net-
work of private sector organisations within the district and in facilitating private-public sector cooperation.

Finally, at village level the positive impact of the project includes an improved dairy industry and economic infrastructure such as roads and paths, which have made a substantial difference to the lives of beneficiaries. It is plausible that these interventions did contribute to the overall reduction of poverty witnessed within the district in the last decade. However, it is difficult to gauge how significant this contribution was or whether households would have improved more if more members had migrated, rather than stayed in the district. Perhaps the RRDP’s greatest impact was at the national level, in placing the agenda of private sector participation squarely within rural development.

6. Lessons learnt

In conceptualising the RRDP emphasis was placed on improved planning and institutional development without a proper understanding of the history and nature of institutional structures at regional / provincial, district and divisional levels. It concentrated on instituting participatory development methods at village and divisional levels and in supporting the provincial council to strengthen regional development.

The idea to set up a GIS system was a narrow and technocratic interpretation of strengthening regional development capacities. In deciding on this approach there was very little understanding of the provincial council system as a whole. The provincial council was a very new institution. In order to improve its planning capacity it needed a wide range of inputs such as the ability to make use of its powers under the 13th Amendment, to negotiate its rights with the Centre and to innovate within the powers given to it. If the project had viewed regional planning in this wider sense, perhaps it could have identified inputs that could have had a greater impact.

In particular, change was directed at individuals within institutions rather than the institutions themselves. This might have worked if the individual professionals selected were key players with sufficient power to change the status quo. However, most capacity building of the project was at the level of middle and junior officials who had very little voice in how the institutions were run. Creating a number of competent professionals within the hierarchical and highly politicised state institutional structures is not sufficient to create change at the level of the institution. More often than not, it creates frustrated individuals who are on the lookout for better opportunities elsewhere. An unintended impact might be private / NGO sector development.

Although the project intended to be different, somehow, from other integrated projects, the result of all the participatory planning was support for the same types of activities as undertaken by all other projects, eg. infrastructure development at village level (typically roads/footpaths and canals/anicuts) and income generation activities, primarily within the agriculture/livestock sector. Thus, in addition to the lack of institutional sustainability of the planning tools, the mere use of participatory planning tools did not guarantee that the projects were viable. Thus, most livelihood activities and group enterprises identified by beneficiaries did not necessarily have a higher chance of survival. It may be stated in the defence of the RRDP, the this is an experience that not limited to it but is endemic to many a development project, not least its sister IRDPs.

For most of its lifetime, the project focused on five “poorest” divisions with potential for development. However, within these divisions, the project engaged in a multitude of activities. Given the state of development of those divisions, the project might have achieved more if it focused
simply on what proved most successful after the pilot phase, such as economic infrastructure, i.e. improving the enabling conditions for production and livelihood.

The project concept changed towards enterprise promotion and growth centres in the mid 1990s. However, this design change, which included another institutional component the PEPC, came far too late for its impact to be sustainable. While flexibility in the design of projects is important and projects need to be steered towards new directions if they do not realise their intended objectives, it is also necessary, as some private sector representatives pointed out, to stay with a concept and see it through. The PEPC in that sense was a baby who had to grow much too fast. Moreover, in the design of the PEPC an institutional analysis of the relations among the potential stakeholders, what type of structure and location would be viable in the long-term and what kind of gestation period would be required, i.e. the adequate groundwork necessary for a sustainable institution, was not carried out at the time of its conceptualisation.

An important lesson learned from the successful institutional collaboration with the RDD was that when project interventions fit in with something that the Sri Lankan counterpart has already begun or a process that is already taking place in the larger context there is a chance for sustainability.

As could be clearly seen from the RRDP’s efforts, institutional development is a complex and difficult task. It needs the capacity to get to grips with a complex set of factors, it must try to see what type of interventions the project can provide in the overall context, the ability to negotiate with many stakeholders and a long-term commitment to a slow process of change, irrespective of whether it is a state or private sector institution.

What emerges is the crucial importance of paying greater attention to the political and economic interests that operate in the institutional context. The general learnt is that if what is initiated by the project dovetails with the processes taking place in the context there is a greater chance of it being sustained, because it matches with the interests of the Sri Lankan stakeholders, which, in the case of the institutional development component, is the Sri Lankan state.

The other glaring lesson learnt is pitfalls with regard to that lie in technical assistance projects. The RRDP, being as it were a predominantly ‘technical assistance project’, came with limited funding in comparison with its sister IRDPs, but was designed with a large proportion of the budget allocation going towards long and short-term expatriate technical expertise. This created considerable misapprehension and laid the project open to unhelpful criticism and antagonism from its counterparts and other interested observers. A project of this size needed to ensure that there was sufficient balance between resources allocated for expertise and project activities and between expatriate and local expertise. Moreover, it is inevitable that being an IRDP, the RRDP lent itself to comparison with other ‘capital intensive’ IRDPs, especially the neighbouring Nuwara Eliya and Badulla IRDPs, unfair though this might be.

The critical issue, however, is not the extent of the technical assistance budget or the presence of expatriate specialists, but the ownership of the initiatives by the stakeholders in Sri Lanka. This, together with explicit strategies for internalising these skills within Sri Lankan organizations, could have gone a long way in achieving long-term sustainability of the RRDP’s technical support towards institutional development.

At the implementation level, the RRDP activities were undertaken mostly at the divisional level. The RRDP interacted with divisional level administrative officers as well as representatives of relevant line ministries such as agriculture, livestock development and industrial development. While
working directly at the divisional level helped to cut down on bureaucratic red tape, it appears that the project did not quite take into account how the divisional level was linked to the district and provincial levels and failed to develop a good working relationship at the district level with at least one key line ministry, namely, agriculture. While the project informed the district level offices of its activities, the fact that the district level office was not consulted about the selection of activities within that sector created unnecessary ill will.

Insufficient monitoring, especially of impact, was done of livelihood activities, group enterprises and infrastructure development during the first two phases. If inprocess impact monitoring had been conducted, the project could have narrowed its focus of intervention to viable sectors and changed direction faster. While monitoring improved during the last two phases, clients whose enterprises expanded exponentially pointed out that it was insufficient to identify the potential of their enterprises to be large employers and to provide them with the necessary guidance and support to create and cater to a larger workforce. As poverty reduction was the primary goal of the project and the means shifted from institutional development to enterprise development, more attention needed to have been paid to employment creation.

The good relations developed by members of the project team with key actors in the RDD demonstrates the level of influence the RRDP managed to have in changing the contours of rural development nationally. However, it also shows the dilemma the project faced in reconciling the differences in perspectives between the more professional national officials and the more politicised provincial officials.

Finally, the role of “culture” in development cooperation cannot be understated. While not explicitly addressed in this evaluation, largely because it necessitates a specialised methodology to do justice to such a topic, the influence of cultural factors in facilitating or inhibiting development cooperation remains omnipresent. The issue was highlighted in the dialogue workshop held to discuss the findings of the evaluation and a potential recommendation would be to pay more explicit attention of this “grey” area.
Comment of BMZ

Generally speaking the findings of the report appear to be plausible. The aim of the evaluation, to obtain Sri Lankan views by employing local consultants, has been achieved. According to local colleagues, the consultants conducted the evaluation in a professional way and the report highlights a number of important findings.

Nevertheless, there is a tendency in the report to underestimate the general conditions, activities and impact of the project. First of all, the difficult and constantly changing political situation requires a particularly sensitive and relatively “neutral” approach – which was achieved. Secondly, because of consultation with the government and local authorities they had more of an influence on the kind of support than is acknowledged in the report. Thirdly, there are a number of activities and impacts (introduction of planning methods, contributions to developing micro-finance systems, capacity building) which were not adequately taken into account and acknowledged by the consultants – possibly because of the shortness of the time available for the evaluation.