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VICTORIA PROJECT: SRI LANKA

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The Project

The Victoria project is part of the Accelerated Mahaweli Development Programme (AMDP). It is a power and irrigation project, but the irrigation component consists only of water storage in the reservoir behind the Victoria Dam. The project cost in excess of Rs 9000m, including £113m (Rs 6557m) of British grant aid, and was inaugurated in April 1985.

The Evaluation

The evaluation report was prepared by a team comprising an economist, engineer, sociologist, and environmentalist, led by a member of the ODA Evaluation Department. The work included a three week visit to Sri Lanka in May 1986.

The evaluation report re-assesses the project shortly after its completion. The report contains some important lessons for planning similar projects or indeed any major construction project in the future, and makes recommendations to assist in the future operation of the project. The numerous detailed conclusions and recommendations are readily accessible in the 30 page summary in Volume I.

Careful management and monitoring of the project by all concerned helped ensure that the civil, electrical and mechanical works were completed successfully, on time and within the original budget, in spite of some difficult problems which arose during construction.

The main focus of the study was on the social, environmental and economic aspects from which it was thought the main lessons were to be learned. These lessons are summarised below.

The Main Findings

About 30,000 people were displaced by the project, over four times the number predicted:

- Although implemented without outside assistance the resettlement programme after a slow and very uncertain start was achieved within the necessary timetable.
- The lack of advance planning, the small number of staff and the initial underestimation of the number of people affected, meant that the programme was implemented under severe time pressure.
- This necessitated concentration on the immediate problems of property

acquisition, compensation and resettlement, to the detriment of longer term resettlement planning; this imposed unnecessary costs on the settlers.

The environment created by the dam is dynamic and complex:

- A number of aspects require management.
- In the absence of management plans drawn up prior to development these issues were being addressed (in May 1986) on an ad-hoc basis, but there were insufficient funds and a lack of focus and direction.
- Problems, such as control of water levels in the dam, prevention of malaria below the dam, poor water quality in lakeside settlements might have been lessened and the exploitation of benefits (fisheries, recreation, and a heightened awareness of the need for watershed management) might have been increased had environmental issues received greater attention during appraisal and project monitoring.
- Assistance for remedial measures has been offered by the British Government and is being considered with the Sri Lankan government.

The re-estimated rate-of-return is 8% about 4% less than that at appraisal, mainly because power output is now expected to be less than forecast in 1978 and the prospects for irrigation benefits are poor.

- But allocating the costs of Victoria between the power and irrigation components shows that the project is a cost-effective means of power generation.
- The power output from Victoria depends on how the river systems are managed, and on how other power plants and the irrigation schemes are operated. The trade-offs are particularly complex.
- It is likely that continued improvements in planning and operational planning will increase the returns to Victoria and other Maheweli projects taken together.

The Sri Lanka Electricity Board which now owns and operates the Victoria power station is in a much healthier financial position than in 1978. This is as much due to substantial increases in tariffs and improved management as to the expansion in sales which the Victoria and other projects have made possible.

Lessons

- More comprehensive planning and more extensive data at the outset (had either been available) might have improved the economic returns.
- It is very difficult to maximise benefits from power and irrigation projects in the absence of comprehensive studies of the systems to which they contribute.

-- Preparation of such studies requires a mass of hydrological, financial, agricultural, social and environmental data and computer models developed over a number of years.

-- The best way to achieve this is through development of the local institutions concerned. Short term and partial studies by consultants are neither a cost-effective nor a

professionally adequate substitute. In this instance there was not much alternative given the severe time constraints.

- Long term planning and project preparation by both recipient institutions and aid agencies might help avoid similar predicaments in the future, and thereby secure higher rates of return.
- Projects such as Victoria require detailed attention to social and environmental matters at the appraisal stage. A lack of knowledge and understanding about them involves a degree of risk.
- Inadequate attention to social matters reduces the efficiency with which resettlement programmes can be implemented and impose unnecessary cost on evacuees and governments. This could cause financial crisis and lead to projects being halted.
- Clear understanding of the environmental issues at appraisal facilitates better arrangements for dealing with a range of problems (such as weed control and malaria prevention) and provides a better basis for exploiting the environmental benefits.