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SRI LANKA ROAD INVESTMENTS – BUILDING AND MAINTAINING TRUST AND PARTNERSHIP

HIGHLIGHTS

- A Multitranchise Financing Facility (MFF) by ADB of \$800 million to the road sector in Sri Lanka is the culmination of a development towards an approach where development partners align to the government policy framework.
- Continuous policy dialogue and incremental capacity development based on mutual trust and respect is in the fore. Piloting and learning play a major role.
- National champions are crucial to ensure institutionalization of new practices in road maintenance.

A LONG ROAD TRAVELLED TOGETHER

Sri Lanka's road network is one of the densest in the region. However, it has not been able to cope with increasing traffic, and connectivity between roads is poor – traffic gets stuck. The proportion of national roads in good condition rose from 35% in 2007 to 48% in 2011, those in fair condition dropped from 19% to 11%, and roads in poor condition declined from 46% to 41%. The condition of provincial and local roads is much worse than that of national roads, with the “last kilometer” connection to rural communities entailing high travel costs and long travel times. Rehabilitation and maintenance remains insufficient due to lack of adequate funding and – in particular for provincial and local roads – limited institutional capacity at provincial and local levels.

At national level the Road Development Agency (RDA) is the agency responsible for national roads (trunk and main roads). In terms of capacity development, RDA has received significant external assistance during road project implementation, but most provincial and local road agencies have poor capacity and disorganized road asset management. While RDA can further build its own road asset management, project management, and contract administration capacity, it has begun informally transferring skills and knowledge to provincial and local road agencies, with good results.

As a long-term partner, ADB supported the government in comprehensively improving and modernizing of road subsector for all tiers of roads, expressways, national highways, provincial roads and rural roads, together with institutional strengthening of the road agency. The Asian Development Bank's (ADB) lending assistance to the transport sector in Sri Lanka started in 1970. Including the MMF of \$800 million approved in 2014, cumulative ADB lending to the transport sector amounts to more than \$2 billion, focusing mainly on the road subsector.

Over the last decade, the support has increasingly become programmatic, moving beyond individual projects. The support from ADB is closely aligned to government policies and priorities, and harmonized with the assistance of other development partners, in particular the World Bank and JICA. The various national entities exercise leadership for their areas of responsibility, while the support from development partners is to the degree possible integrated in the national institutions.

As an essential part of this development of a close and trustful partnership, there is a continuous policy dialogue outside the specific projects supported by ADB or other partners. ADB-funded projects, on the other hand, integrate institutional development to support that the transport sector moves towards international standards. Projects are used as the vehicles to implement the results of the policy dialogue, enabling national partners to acquire and apply relevant knowledge, in addition to physical investment components. Advisory and capacity development technical assistance (TAs) complement investment projects to address specific issues. Among others, ADB has assisted the government in (i) the institutional reform of road agencies, (ii) strengthening the capacity of project management,



procurement, financial management, grievance redress committee, and safeguards, (iii) building the capacity of expressway development and operation, and (iv) promoting the domestic construction industry.

ADDRESSING MAINTENANCE CHALLENGES: FROM OUTPUTS TO PERFORMANCE

RDA has for some years been testing performance based contracting as a way of addressing maintenance challenges. ADB is a key partner in these efforts. Instead of only contracting a rehabilitation work with predefined inputs and a certain output, the government has piloted performance-based maintenance in different ways, combining rehabilitation or improvement works plus 3 years of performance-based maintenance into a single contract, and then increasing the maintenance period to 5 years. The bidding documents and contract administration have been gradually improved for procuring and implementing performance-based maintenance. Now the government and ADB are investigating the possibility of scaling-up the program.

This incremental learning approach – piloting, adjusting based on lessons learned, and eventually upscaling – has been essential to ensure confidence among RDA staff in the new approaches. Exposure to countries that practice this approach were important, so that RDA staff understood how performance indicators could be selected and monitored.

The most difficult part has been to get private sector contractors to understand the new modality. They are used to input-output based costing and contracting of specific works, and still needs time to adjust to the demand for regular maintenance operations.

The introduction of a Road Maintenance Trust Fund was a top-down reform aiming at generating funds for maintenance – the performance-based contracting mode is the corresponding bottom-up reform that will align incentives in the sector to the overarching goals: sustainably and permanently better and safer roads, allowing efficient and effective transport of goods and persons in a growing economy. There are still challenges ahead, but it is the joint perception of both RDA and ADB that the direction is right and that speed can eventually increase.

NATIONAL CHAMPIONS IN THE RIGHT PLACE AT THE RIGHT TIME

Crucially, there was a strong management team as the champion of road subsector development in RDA. This was essential to open the space for training technical officials and develop the new business models, such as bidding documents and implementation arrangements, and for testing the approach hands-on.

Following the elections in 2015, the new government made changes in the senior management of RDA, raising concerns in ADB whether there would also be a policy reversal away from performance based contracting, or from other key elements of the road policy. This did not happen, however, and two factors seemed decisive for quickly convincing the new management on the merits of key existing policy elements: Firstly, the technical officials in RDA were comfortable with and confident about the qualities of performance-based approaches to rehabilitation and maintenance. Secondly, ADB's considerable and long-term investment in the sector and the trustful partnership built up over the years put the bank in a good position to dialogue with the new management.

So while a champion at the apex may be needed in the early phases of a reform endeavour as the one described here, the gradual institutionalization of the approach allowed the whole agency to maintain the momentum. And while ADB is not pretending to have or give answers to all challenges in the road sector, they can confidently engage in the continuous dialogue with the authorities based on the long-term trust and partnership.

For more information about ADB's support, see <http://www.adb.org/projects/47273-002/main>, or contact project officer Lee Tai (tlming@adb.org)

