



1. Project Data:		Date Posted : 05/02/2002	
PROJ ID: P063472		Appraisal	Actual
Project Name: Year 2000 Emergency Assistance Project	Project Costs (US\$M)	38	21.23
Country: Sri Lanka	Loan/Credit (US\$M)	29	13.02
Sector(s): Board: FSP - Banking (72%), Central government administration (28%)	Cofinancing (US\$M)		
L/C Number: C3162			
	Board Approval (FY)		
Partners involved :	Closing Date	06/30/2001	06/30/2001

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The project was to assist the government on an urgent basis in its efforts to prevent possible business disruption in the country's economic and financial sectors as a result of the Year 2000 (Y2K) problem. The project assisted the country's banking sector and selected government agencies to adopt and implement contingency -based strategic plans for Y2K compliance.

b. Components

I. Financial Sector Component: (a) a credit component of US\$20.0 million to be on-lent through the central bank (CBSL) to banks and selected finance companies to pay for Y 2K-related consultant and equipment expenditures; (b) a technical assistance component of US\$ 1.0 million for the CBSL Project Coordinating Unit that was charged with monitoring and supervision of Y2K activities and readiness of all banks, including those private banks not in need of financing from the CBSL.

II. Government Agencies Component. US\$8.0 million of the IDA credit was to finance required equipment and experts for various technical tasks and short-term staff training in the institutions under the purview of the Ministry of Finance and Planning.

c. Comments on Project Cost, Financing and Dates

The actual project cost turned out to be 56% of the appraised cost, and IDA disbursement was only 51% of the approved amount. This was in small part due to the Government's slow process of technical evaluation of tenders and procurement of Y2K related equipment and in large part due to the fact that claimed expenditures by banks of \$15.7 million were found ineligible for reimbursement under the project (as they had been made before the cut-off date of May 1, 1998 for retroactive financing and/or they had not conformed to CBSL documentation requirements and Bank procurement procedures). Banks were charged the Average Weighted Deposit Rate for CBSL sub -loans, with a maximum maturity of 10 years and a grace period of 2 years. In addition to the IDA credit, the Bank also managed separately a grant with similar objectives but directed to other sectors and government agencies under the InfoDev program, which is not covered by this ICR.

3. Achievement of Relevant Objectives:

According to the Bank's ICR, no bank or government agency supported by the project experienced any disruption after January 1, 2000 and throughout the rest of the year. In fact, Y2K compliance was fully achieved in all of Sri Lanka's banking sector and in government by end -1999, except for 3 laggard agencies (the Census and Statistics Department, which could not procure in time new servers for the 2001 census; the Budget; and the Employees Trust Fund Board) where however the relevance of Y2K compliance was questionable and where also no business disruption was recorded. There was no Y2K panic among the public, with cash withdrawn before the Presidential Election on December 21, 1999 being deposited back after the election was over. This assessment is corroborated by the only available (and quite limited in scope) ex-post evaluation of the seriousness of the Y 2K problem and of the efficacy of the efforts to correct it (Final report dated February 29, 2000 of the U.S. Senate Special Committee on the Year 2000 Technology Problem at <http://www.senate.gov/~y2k/documents/final.pdf>). This report found that the roll-over in January 2000 happened without any major incidents worldwide, thanks to the efforts by governments and private sectors worldwide during the preceding years to address what it confirmed was a serious problem capable of

major disruptions. For Sri Lanka, the U.S. Senate report lists only the occurrence of three very small problems, only one of which was distantly related to the financial sector (a temporary failure of electronic funds transfer at a supermarket point-of-sale).

4. Significant Outcomes/Impacts:

The project helped avoid business disruption in the country's financial sector and in key government agencies . It helped improve knowledge and records of information technology (IT) inventory, identify needs beyond Y2K related fixes, and upgrade obsolete systems . The project also improved the awareness of the management of public agencies and private enterprises of the role of IT in their organizations and the technical skills of their IT staff . Finally, it helped put in place business contingency plans that, after January 2000, have been modified to be used for general disaster recovery and unforeseen events .

5. Significant Shortcomings (including non-compliance with safeguard policies):

A shortcoming was the partial and slow disbursements of the approved funds . The last-minute remediation activities and additional funding may also have contributed to driving up costs of equipment and consultants, but this is not an issue explored in the ICR.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Among the reasons critical for this project's success were its well -defined and focused objectives, strong client demand and commitment, flexible design, and a good and effective Apex system that leaves the main implementation responsibilities to the beneficiary organizations . Another lesson is that the Bank should seize the opportunity to accomplish quickly during periods of crisis or perceived crisis what would be difficult and slow under normal circumstances . Cumbersome procurement procedures in the public sector (including tender committees that meet infrequently) need to be addressed frontally, either with general institutional reforms or with ad -hoc solutions, such as by requiring that the government set up a specialized tender committee for the project that can attend timely to procurement matters as they arise .

8. Assessment Recommended? Yes No

Why? As part of a cluster audit of IT-related TA projects, this and other Y2K projects may yield useful lessons to future Bank assistance for IT upgrades and expansion in the public sector, an area that is likely to witness increased client demand for Bank financing . It could also present an opportunity for a comprehensive ex -post review of the ex-ante claim that Y2K remediation activities before end-2000 were necessary and cost-effective to avoid business disruption .

9. Comments on Quality of ICR:

The ICR was thorough in documenting ex-ante risks and rationale for the project, its implementation, and its institutional development impact besides Y2K related remediation . However, it did not contain any references to other evaluations and to the existence of ex -post counterfactuals in Sri Lanka or worldwide to buttress the conclusion that Y2K remediation activities supported by the project were instrumental in avoiding business disruption .