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ON

GRANTS

IN THE AMOUNT OF SDR 20.1 MILLION  
(US\$ 30 MILLION EQUIVALENT)

AND SDR 23.7 MILLION  
(US\$ 35.5 MILLION EQUIVALENT)

AND CREDITS

IN THE AMOUNT OF SDR 30.2 MILLION  
(US\$ 45 MILLION EQUIVALENT)

AND SDR 26.5 MILLION  
(US\$ 39.5 MILLION EQUIVALENT)

TO THE

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FOR A

TSUNAMI EMERGENCY RECOVERY PROGRAM

June 30, 2009

Sustainable Development Department  
Urban and Water Unit  
South Asia Region

**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective June 26, 2009)

Currency Unit = Sri Lankan Rupees (LKR)  
LKR1.00 = US\$0.0086  
US\$ 1.00 = LKR 115

**FISCAL YEAR**  
January 1 – December 31

**ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank	MoH	Ministry of Health
BOQ	Bill of Quantity	NEERP	North East Emergency Reconstruction Program
CCD	Coastal Conservation Department	NEHRP	North East Housing Reconstruction Program
CSIA	Continuous Social Impact Assessment	NIRP	National Involuntary Resettlement Policy
CAS	Country Assistance Strategy	MoNB	Ministry of Nation Building
DAT	Damage Assessment Teams	NGO	Non-Governmental Organization
ESSAF	Environmental and Social Screening and Assessment Framework	NEHRU	North East Housing Reconstruction Unit
EIA	Environmental Impact Assessment	OM	(Project) Operational Manual
FM	Financial Management	PDO	Project Development Objectives
GNI	Gross National Income	PRS	Poverty Reduction Strategy
GoSL	Government of Sri Lanka	RADA	Reconstruction and Development Agency
GRM	Grievance Redressal Mechanism	RDA	Roads Development Authority
IFRC	International Federation of the Red Cross	SWHRU	South West Housing Reconstruction Unit
INT	Department of Institutional Integrity (World Bank)	SDC	Swiss Agency for Development & Cooperation
ICR	(Project) Implementation Completion and Results Report	SDR	Special Drawing Rights
IDA	International Development Association	TERP	Tsunami Emergency Recovery Program
JBIC	Japan Bank for International Cooperation	TAFREN	Task Force for Rebuilding the Nation
KFW	German Development Bank	UNOCHA	United Nations Office of Coordination and Humanitarian Assistance
KPIs	Key Performance Indicators	UN	The United Nations
LKR	Sri Lankan Rupees (National Currency)	VRC	Village Rehabilitation Committee
LTTE	Liberation Tigers of Tamil Eelam	WB	The World Bank

Vice President: Isabel M. Guerrero  
Country Director: Naoko Ishii  
Sector Manager: Junaid Kamal Ahmad  
Project Team Leader: Toshiaki Keicho  
ICR Team Leader: Haris Khan

**SRI LANKA**  
**Tsunami Emergency Recovery Programme**

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*Note: The following Annexes are not applicable to this project:*  
*Economic and Financial Analysis*  
*Beneficiary Survey Results*

<b>A. Basic Information</b>			
Country:	Sri Lanka	Project Name:	Sri Lanka Tsunami ERL
Project ID:	P094205	L/C/TF Number(s):	IDA-40390,IDA-H1470,TF-56712
ICR Date:	06/30/2009	ICR Type:	Core ICR
Lending Instrument:	ERL	Borrower:	GOVERNMENT OF SRI LANKA
Original Total Commitment:	XDR 50.3M	Disbursed Amount:	XDR 47.2M
<b>Environmental Category: B</b>			
<b>Implementing Agencies:</b> Government of Sri Lanka			
<b>Cofinanciers and Other External Partners:</b>			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/31/2005	Effectiveness:		04/25/2005
Appraisal:	02/10/2005	Restructuring(s):		
Approval:	02/24/2005	Mid-term Review:	09/24/2007	06/13/2007
		Closing:	09/30/2008	09/30/2008

<b>C. Ratings Summary</b>	
<b>C.1 Performance Rating by ICR</b>	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

<b>C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)</b>			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
<b>Overall Bank Performance:</b>	Satisfactory	<b>Overall Borrower Performance:</b>	Moderately Satisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
General public administration sector	10	10
Housing construction	55	55
Roads and highways	35	35
<b>Theme Code (as % of total Bank financing)</b>		
Access to urban services and housing	25	50
Natural disaster management	50	25
Social analysis and monitoring	25	25

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Isabel M. Guerrero	Praful C. Patel
Country Director:	Naoko Ishii	Peter C. Harrold
Sector Manager:	Junaid Kamal Ahmad	Sonia Hammam
Project Team Leader:	Toshiaki Keicho	Christoph Pusch
ICR Team Leader:	Toshiaki Keicho	
ICR Primary Author:	Haris Khan	

## **F. Results Framework Analysis**

### **Project Development Objectives** (from Project Appraisal Document)

The project objectives are to support the efforts of the Government of Sri Lanka to -

- i. Reduce the immediate suffering resulting from the effects of the tsunami and restore livelihoods destroyed by the tsunami;
- ii. Restore basic services to the affected population; and
- iii. Start the recovery and reconstruction process

**Revised Project Development Objectives (as approved by original approving authority)**

**(a) PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Provide cash grants (livelihood and housing) to the affected people to reduce the immediate human suffering, to restore livelihoods, and to start recovery and reconstruction process			
Value quantitative or Qualitative)	0 families received assistance	All families living in new/repared homes funded by the housing cash grant program		
Date achieved	02/24/2005	03/31/2008		
Comments (incl. % achievement)				

**(b) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Targeted assistance provided to the affected population			
Value (quantitative or Qualitative)	affected families received no livelihood support cash grant	affected families received up to four installments of cash transfer		
Date achieved	02/24/2005	10/15/2005		
Comments (incl. % achievement)				
<b>Indicator 2 :</b>	Provide homes for affected families			
Value (quantitative or Qualitative)	0 families received cash grant for housing repair or reconstruction	All families completed housing repair or reconstruction with the complete installments of the cash grant assistance program		

Date achieved	02/24/2005	03/31/2009		
Comments (incl. % achievement)				
<b>Indicator 3 :</b>	Rehabilitate portion of damaged road system			
Value (quantitative or Qualitative)	0 km of road rehabilitated	114 km of road section between Kalutara and Matara fully rehabilitated.		
Date achieved	02/24/2005	06/30/2007		
Comments (incl. % achievement)				

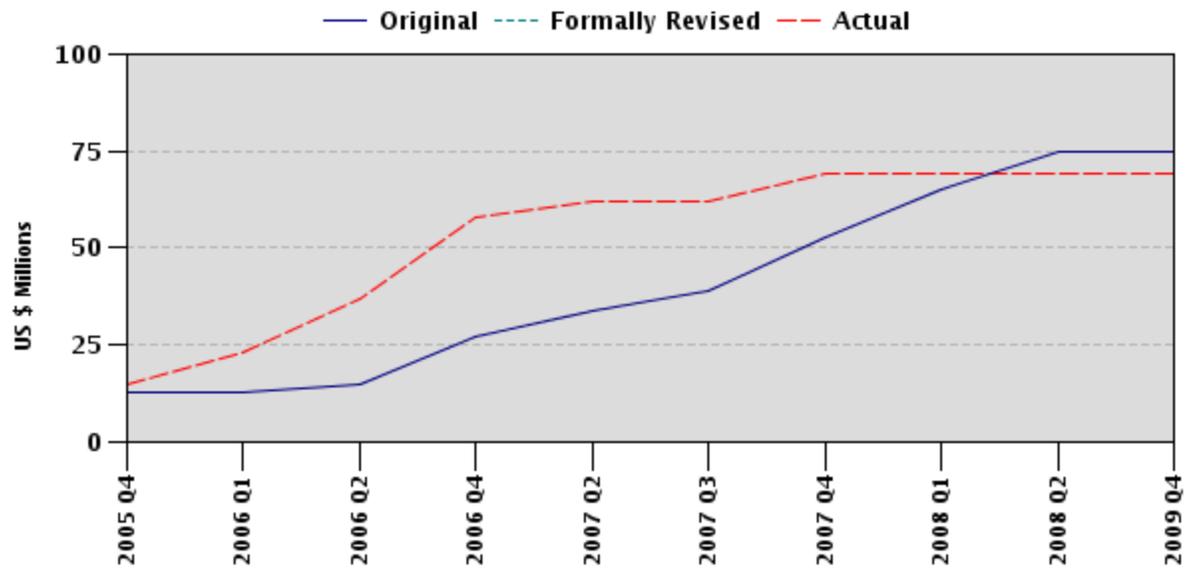
### G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/13/2005	Moderately Satisfactory	Moderately Satisfactory	15.10
2	12/22/2005	Moderately Satisfactory	Moderately Satisfactory	37.10
3	06/30/2006	Satisfactory	Satisfactory	58.10
4	12/23/2006	Satisfactory	Satisfactory	61.80
5	06/28/2007	Satisfactory	Satisfactory	69.10
6	12/20/2007	Satisfactory	Moderately Satisfactory	69.20
7	06/30/2008	Satisfactory	Moderately Satisfactory	69.20
8	12/29/2008	Moderately Satisfactory	Moderately Unsatisfactory	69.20

### H. Restructuring (if any)

Not Applicable

## I. Disbursement Profile



## **1. Project Context, Development Objectives and Design**

### **1.1 Context at Appraisal**

1.1.1 Sri Lanka is an island country with an area of 65,525 sq. km and a population of over 19 million with a literacy rate of 91%. The country has an annual per capita GNI of US\$1,540 and its major industries include rubber, tea, textiles and tobacco. The manufacturing industry has also seen growth and petroleum products, leather goods and electronic equipment are being exported to many countries. Agriculture, tourism and fishing also contribute towards the economy. Remittances from Sri Lankans employed abroad contribute a significant share to the country's foreign exchange reserves.

1.1.2 In December 2004, a massive earthquake registering 9.0 on the Richter scale struck off the coast of Sumatra, Indonesia which triggered a series of tsunami waves that directly impacted the coastal areas of many countries in the Indian Ocean including Sri Lanka. This disaster has been widely acknowledged as the most devastating natural disaster in the history of the country. The tsunami wave struck over 1000 km of Sri Lankan coastline and in many places penetrated inland as far as 500 meters. This adversely impacted coastal infrastructure systems including roads, railways, power, communications, fishing ports and water and sanitation facilities.

1.1.3 As per the initial government estimates, the tsunami resulted in losses of over US\$1 billion in assets and US\$330 million in potential output<sup>1</sup>. Approximately 31,000 people died and 6,000 remained missing. The damage included more than 110,000 houses, out of which 70,000 were completely destroyed. About 250,000 families lost their livelihoods and over 800,000 people initially displaced as a result of the disaster. The situation was compounded by the fact that the districts that were hit hard by the tsunami, especially in the southern and eastern parts, had populations well below the poverty line. Therefore, the tsunami particularly increased the vulnerability of this segment of the population. Furthermore, the population in the north and the east had already been facing a civil conflict for the past many years and so the tsunami aggravated the already grave living condition of these people.

1.1.4 The Government of Sri Lanka requested the World Bank (WB), the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC) for assistance in conducting a damage assessment immediately after the tsunami. The assessment was jointly carried out by these agencies in coordination with the United Nations (UN) and other bilateral donors. The assessment report was released in February 2005. The Bank simultaneously restructured ten ongoing operations and made available US\$ 75 million for immediate emergency recovery needs, which was approved on February 5, 2005. This was called the Tsunami Emergency Recovery Program I (TERP-1). A new emergency operation of US\$ 75 million (out of which US\$30 million was a grant) was subsequently approved on February 25, 2005 and this was called the Tsunami Emergency Recovery Program II (TERP-2). Currently,

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<sup>1</sup> Output losses are defined as the value of goods and services lost as a result of asset losses and other disruption caused by the tsunami.

IDA is also administering a Trust Fund of US\$ 25 million from the International Federation of the Red Cross (IFRC), specifically financing the housing reconstruction. These are the three operations related to the tsunami reconstruction in which IDA has been involved. The scope of this ICR is confined to the closed operations i.e. TERP-1 and TERP-2.

## **1.2 Original Project Development Objectives (PDO) and Key Indicators**

1.2.1 The project objectives listed in the Technical Annex and Agreement Amending Selected Legal Agreements were to support the efforts of the Government of Sri Lanka (GoSL) to: (i) Reduce the immediate suffering resulting from the effects of the tsunami and restore livelihoods destroyed by the tsunami; (ii) Restore basic services to the affected population; (iii) Start the recovery and reconstruction process and to assist Sri Lanka in carrying out the first phase of an emergency recovery and reconstruction program in the affected areas.

1.2.2 The Technical Annex for the project contains detailed Key Performance Indicators (KPIs) for various components listed under the component Annexes. The main KPIs for different components for which project funds were utilized are: (i) Percentage of eligible families assisted by the program and percentage of fully/partially damaged houses reconstructed; (ii) Kilometers of roads rehabilitated/reconstructed; and (iii) Number of households benefited and amount of money transferred through cash grants program.

## **1.3 Revised PDO and Key Indicators, and Reasons/Justification**

There was no formal revision in PDOs or indicators.

## **1.4 Main Beneficiaries**

1.4.1 The main beneficiaries were the tsunami affected population of Sri Lanka.

1.4.2 Other beneficiaries were government staff at the central level (the Task Force for Rebuilding the Nation - TAFREN, the Reconstruction & Development Agency - RADA, and the Ministry of Nation Building) and district level staff who received training and technical assistance in such areas as project management, financial management, and procurement.

1.4.3 There were also several indirect project beneficiaries including unskilled workers who acquired on-the-job construction skills and local builders who learned higher building standards and new techniques. Local volunteers involved in repair and upgradation of buildings in their communities also developed their capacity and acquired new skills. Similarly, the involvement of civil society, particularly homeowners, led to improved community leadership and ownership.

## **1.5 Original Components**

1.5.1 The project was designed to help restore basic services and the lost livelihoods of the affected population and start the recovery and reconstruction process. It originally consisted of the following main components, combining TERP-1 and TERP-2:

- (i) Housing reconstruction (US\$ 60 million)
- (ii) Infrastructure rehabilitation (US\$ 33 million)
- (iii) Livelihood support (US\$ 35 million)
- (iv) Social sector (US\$ 8 million)
- (v) Capacity Building (US\$ 10 million)
- (vi) Contingencies (US\$ 4 million)

## **1.6 Revised Components**

1.6.1 There were no formal revisions to the main project components. However, in mid 2005 the International Federation of Red Cross (IFRC) approached IDA for supporting the housing reconstruction program. Therefore, IDA agreed to administer a Trust Fund of US 25 million from IFRC. This IFRC funding was earmarked specifically for housing reconstruction in the former buffer zones called “Phase 2 Housing” (described in more detail under section 2.4.1). Furthermore, out of the social sectors earmarked for support, only the Health component was partially implemented.

## **1.7 Other Significant Changes**

As explained above, the increased IFRC support led to a revised housing target under the Phase 2.

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Project Preparation, Design and Quality at Entry**

The overall quality at entry is rated as moderately satisfactory. This assessment is based on the following.

2.1.1 Rationale for the Bank’s Intervention. Immediately after the disaster hit the country, the communities mobilized themselves and acted as first responders. The government was also quick to respond and released LKR 93 million the day after the disaster for relief operations. On the institutional side, a Center for National Operations was established under the President Secretariat and special Task Forces for rescue and relief, reconstruction and logistics were established while Disaster Management Authorities were established at the District levels. The Donor community also swiftly acted with the United Nations through its various specialized agencies such as United Nations Office of Coordination and Humanitarian Assistance (OCHA) coordinating the overall disaster response. The international community also rapidly responded with contributions of around US\$125 million. Hundreds of private sector firms also assisted the Government in relief efforts through their various global networks. Considering the government’s commitment in dealing with the disaster, it’s severity being rated as the country’s worst ever natural disaster, the enormity of the required response and subsequent huge reconstruction task and the fact that the Bank led the joint damage and needs assessment, stakeholders including the Government were looking toward the Bank for assistance, especially considering the Bank’s wide ranging international experience in disaster management and post disaster reconstruction operations.

2.1.2 Clarity, focus and flexibility of project design. The primary objective of the project i.e. supporting the government in recovery and reconstruction was clearly defined and all components contained in the project design supported and focused towards achievement of the stated objective. Immediate priority was given to restoration of livelihoods and reconstruction of basic infrastructure, particularly private housing, which was appropriate as these are the two main immediate challenges faced by people in the aftermath of any disaster. The allocations under the project components were kept notional and flexible so that there would be the ability to respond to emerging needs. Centralized policy and strategy formulation with field-based implementation and monitoring/reporting was an adequate arrangement for meeting the implementation challenge across a vast affected area.

2.1.3 Adequacy of safeguard policies. Safeguard policies as required under the Bank policy were adequately incorporated into the project framework. An Environmental and Social Screening and Assessment Framework (ESSAF) was prepared. The framework was designed to assist the government in ensuring that safeguard issues were properly addressed. In the case of environmental risks, this would include an assessment of the Government's review and approval process for environmental impact assessments (EIAs) and the ability to monitor the implementation of environmental mitigation measures. In the case of social safeguards, inclusion of a Continuous Social Impact Assessment (CSIA) in the project design was to facilitate communication of community perceptions, grievances and feedback, particularly in relation to beneficiary selection for the housing and livelihood program components of the project. The CSIA would also help monitor the social aspects of the project and identify potential risks. In case of resettlement and/or land acquisition issues, the Bank's resettlement Policy, Sri Lanka's National Involuntary Resettlement Policy (NIRP) and "Guidelines for Land and Asset Acquisition, Entitlements and Compensation" included in the framework would be applied.

2.1.4 Lessons of earlier operations taken into account in project design. Approaches, which proved successful in other Bank programs (such as the 2001 Gujarat earthquake response in India and the 2002 emergency reconstruction program in the conflict-affected areas of Sri Lanka), were adopted in the project design. These included use of the homeowner driven housing reconstruction model, training of local builders, tranching payment mechanisms linked with inspection/certification, conduct of detailed damage assessment and verification surveys, provision of technical assistance to home owners, 3<sup>rd</sup> party technical audits, building materials facilitation for reconstruction, preparation of operational manuals clearly defining roles and responsibilities of multiple actors, formulation of construction guidelines and requirement of supervision mechanisms as well as introduction of livelihood cash injection programs. The various good practices and design aspects from the Sri Lanka's North East Housing Reconstruction Program (NEHRP) also contributed towards the design of the project, particularly for the housing component. Mechanisms such as the CSIA, the Third Party Technical Audit, the Mobile Land Task Forces and the environment safeguards are some of the examples of how NEHRP helped define the project design. The Part Z restructuring approach and to a lesser extent the Livelihood Support Cash Grants had its origins in the Sri Lanka's North East Emergency Reconstruction Program (NEERP).

2.1.5 Based on the successful Bank's emergency preparedness and mitigation operations in other countries in the region such as India and Bangladesh, the appraisal team also included the provision of a Phase III component to the project which could be finalized based on the strong commitment of the government in improving its capacity to respond to natural disasters, possible gaps in funding and the updated Country Assistance Strategy (CAS). This provisional component was essentially related to possible mitigation and preparedness support measures for future natural disasters at the community, district and national levels.

2.1.6 Project risks and mitigations. A major risk was the limited implementation capacity to handle the massive reconstruction activities on the part of government agencies, both at the central and local levels. The original project design tried to mitigate this risk through a capacity building component which was added to the project. However, this component was not clearly defined except for financing operational costs of these agencies. Although the capacity building component contributed to keeping these agencies up and running, actual capacity building that took place during implementation was somewhat limited.

2.1.7 Another risk was the very complex nature of the multi-sector approach adopted for the original project design, which included potential investments in education, health care, livelihood support, housing, roads etc. This risk was to be mitigated through the built-in flexibility to allow dropping activities that could prove problematic as the project progressed and shift resources to more successful components and also have priority areas based on emerging needs. This is why the project was successful in implementation of the livelihood support, housing, and roads components with limited investments in the health sector while education was dropped.

2.1.8 The risk of resumption of civil conflict in the tsunami affected areas of the North East was a real and serious one. Although there was an all inclusive and decentralized implementation mechanism at the district level, such a situation could lead to break down of the decision making process and a grid-lock. The project sought to mitigate this risk through appropriate scale down of the program in case of the intensifying conflict. However, this eventuality did not occur except for a few areas, and only minor incidents led to some delays in implementation. Another conflict related mitigation measure was the requirement of the North East Provincial Council, Sri Lanka Army and Liberation Tigers of Tamil Eelam (LTTE) to confirm that areas to be assessed for reconstruction and rehabilitation activities were de-mined.

2.1.9 Governance issues were also identified as possible risks and they were to be mitigated through introduction of increased accountability and transparency measures. Particularly for the livelihood cash grant and housing programs, this was achieved through stringent and well defined eligibility criteria, eligibility surveys and damage assessments, inspections and certifications, tranced programs, well defined disbursement conditions and funds tracking as well as 3<sup>rd</sup> party audits and CSIA.

2.1.10 Adequacy of participatory processes. The IDA response to the disaster was based on a joint damage and needs assessment which was carried out by the Bank in cooperation with ADB and JBIC, and the exercise was coordinated with the Government at the national, provincial, district and local levels, UN, bilateral donors, civil society, LTTE and other stakeholders. All

strategies for the ensuing response and recovery/reconstruction efforts flowed from the platform, which the assessment provided.

## **2.2 Implementation**

2.2.1 Although the housing reconstruction component in the conflict-affected Northern and Eastern Provinces had some delays, overall implementation and project management performance throughout the life of the project is rated moderately satisfactory as the project outcomes were largely achieved.

2.2.2 TERP-1 became effective on March 11, 2005 while TERP-2 became effective on April 25, 2005. Since both TERP-1 and TERP-2 had the identical objectives and were in essence part of the same operation and also became effective in succession, funds from both operations were in fact used simultaneously. Additionally, as part of the amendment to the 10 credits/grants operationalizing TERP-1 through the Part Z restructuring, new categories were added in the parent projects (seven credits and three grants) and all expenditures for tsunami related activities under TERP-1 were incurred from these parent projects<sup>2</sup>.

2.2.3 The project was not formally restructured at any time. However, some contingent sectors for funding under the flexible design of the project were dropped. Such dropped sectors included education and water supply while limited investments were made in the health sector. The task team leader for the project changed quite early during the implementation cycle but the core team for housing, cash grants and roads remained consistent. However, procurement team members did change a few times during the project duration. On the government side, frequent changes in the implementing agency due to a variety of reasons affected implementation negatively. The main implementing role was initially with TAFREN which was then changed to RADA and thereafter transferred to the Ministry of Nation Building (MoNB), when RADA was absorbed into the Ministry. Therefore, the institutional changes at the central level occurred twice.

2.2.4 As mentioned above the IDA-financed TERP consists of two operations; TERP-1 (US\$75 million) and TERP-2 (US\$75 million) covering various recovery and reconstruction activities including livelihood support, housing, roads, health, and institutional development. TERP-1 closed on March 31, 2007 with about US\$7.9 million undisbursed while TERP-2 closed on September 30, 2008 with approximately US\$4.6 million undisbursed. IDA is expected to make the final disbursement for TERP-2 soon, and it is expected that most of the undisbursed

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<sup>2</sup> The parent projects and amount of funds reallocated for the new tsunami objective under the Part Z approach include (i) Second General Education Project (Cr. 3014-CE) US\$4 million; (ii) Teacher Education & Deployment Project (Cr. 2881-CE) US\$1 million; (iii) Improved Relevance & Quality of Undergraduate Education Project (Cr. 3781-CE) US\$9.5 million; (iv) Economic Reform Technical Assistance Project (Cr. 37220-CE) US\$4 million; (v) E-Sri Lanka Development Project (Cr. 3986-CE) US\$5.5 million; (vi) Renewable Energy for Rural Economic Development Project (Cr. 3673-CE) US\$7 million; (vii) Second Community Water Supply & Sanitation Project (HO35-CE) US\$7 million; (viii) Health Sector Development Project (HO95-CE) US\$20 million; (ix) Community Development & Livelihood Project (HO78-CE) US\$8.5 million; and (x) Second North East Irrigated Agriculture Project (Cr. 3935-CE) US\$8.5 million respectively.

amount would be disbursed. The government had requested closing date extension of both TERP-1 and TERP-2. However, the delayed submission of an audit report prevented IDA from agreeing to the extension of the closing date for TERP-1 in 2007 and, once again, the same problem prevented the extension of the closing date for TERP-2 in 2008. IDA received the audit report of TERP-2 for the calendar year of 2007 only on December 22, 2008, almost six months after the covenanted deadline.

2.2.5 Housing. The housing reconstruction program has been regarded as a success, achieving the target housing numbers over a relatively short time horizon, considering the unprecedented scale of the disaster and also the extremely difficult situation where many tsunami-affected areas were in the conflict. The program could also serve as an international best practice, particularly the IDA-led homeowner driven housing reconstruction approach which was also subsequently followed by ADB, SDC, KFW and IFRC. So the program essentially ended up being a multi-donor initiative financing homeowner driven housing reconstruction. The success of the program made it a model for similar programs in the region, such as the housing program in Pakistan which benefited from the lessons learnt from this initiative in Sri Lanka.

2.2.6 It all began with the housing damage assessment done as part of the tsunami housing reconstruction program in February 2005, which estimated nearly 98,500 units as damaged. The housing reconstruction strategy formulated by the GoSL was based on the homeowner driven reconstruction model and the donor driven reconstruction model. For the homeowner model, there was a provision of cash grants (LKR 250,000 for the fully damaged category in 4 tranches/installments and LKR 100,000 for the partly damaged category in 2 tranches/installments). The government also came up with a buffer zone policy in which construction was not allowed within 100-200 m from the sea. Therefore, the government initially went for reconstruction of 55,525 housing units through the homeowner-driven program financed by IDA and other donors. However, the revision of the buffer zone policy in late 2005 led to migration of cases from donor-driven to homeowner driven reconstruction, and the number for the homeowner driven program was revised upward to 78,500 housing units. The project financing of the homeowner-driven program was done through a refinancing arrangement with two banks, i.e. the Peoples' Bank and the Bank of Ceylon. These banks advanced cash grants directly to the eligible beneficiaries approved by the divisional secretaries, and IDA refinanced the approved claims to the Government for its financial settlements with these banks. Under this financing arrangement, the divisional/district administrations were responsible for the beneficiary eligibility determination and payment approval and certification processes. The IDA-assisted housing program was implemented/monitored by the North East Housing Reconstruction Unit (NEHRU) and the South West Housing Reconstruction Unit (SWHRU) for the North East and South West Districts respectively. Under the home-owner driven program, the Bank agreed to finance all eligible units identified for on-site reconstruction outside the buffer zone, which were referred to as Phase I houses across 24 tsunami affected divisions of the country. The ICR would only cover Phase I houses under which the Bank supported nearly 47,864 beneficiaries which is 68% of the total houses under the homeowner program Phase I. In order to determine the eligibility of beneficiaries who were paid under the home-owner driven reconstruction program the government undertook 100% audit of beneficiaries for both phases. Under Phase I, the results indicated that 44,944 beneficiaries were eligible leading to an ineligibility rate of about 6%. One reason for this divergence was poor book keeping by various

agencies involved. Many households that ought to have come under Phase II of the Tsunami Housing Reconstruction Program were sometimes registered under Phase I instead, which made it necessary to reconcile the data later on. However, on a positive note, the overall physical completion rate for Phase I houses was exceptionally high at 94%. The quality aspects would be covered in detail under Annex 2.

**2.2.7 Livelihoods Cash Grants.** The livelihoods cash grant program was an overall success and completed disbursements quite quickly. Over 100,000 families benefited from the program in the first year which included not only those whose lives were directly impacted by the tsunami but also those whose livelihood had been indirectly affected e.g. the tourist trade. This program was directly executed through the department of Treasury Operations, Ministry of Finance (MoF). Under the program, tsunami affected families were provided a monthly payment of LKR 5,000 per family (and LKR 2,500 for single-member families), for a period of up to four months. The eligibility criteria included those people who lost their employment/incomes as a result of the tsunami, and families whose bread winner was lost or injured. The results of the 1<sup>st</sup> beneficiary survey conducted in April 2005 found that while the program was successful in reaching more than 90% of affected households, there were areas that needed improvement - namely, over-inclusion of beneficiaries outside the target group, especially in certain districts. Taking into account the numbers reported by the beneficiary survey, it was agreed with the government that the amounts reimbursed by the World Bank for 3<sup>rd</sup> and 4<sup>th</sup> payments would be subject to a maximum limit. The government took steps to narrow down the list of beneficiaries by the time the 3<sup>rd</sup> and 4<sup>th</sup> payments were issued. Overall, the program was implemented in a timely way and based on an analysis of the first beneficiary assessment, has had little problem with exclusion of needy families into the program. Payments for all 4 installments of the cash grant have been completed by MoF. The financial audits for all 4 payments / tranches have been completed. The audit reports show that the number of beneficiary households was 255,761 for the 1<sup>st</sup> tranche and 267,829 for the 2<sup>nd</sup>, for total disbursements of around US\$12.1 million and US\$14.6 million respectively. For the 3<sup>rd</sup> tranche, the coverage was reduced to 184,407 beneficiary households, with a total disbursement of around US \$8.3 million. The 4<sup>th</sup> and final tranche was initiated on October 5<sup>th</sup> 2005 and covered 175,629 households with a total disbursement of about US\$8.5 million. The Bank reimbursed the Government for the pre-agreed ceiling of US\$7.2 million for the 3<sup>rd</sup> tranche/payment, and also advanced the same amount of funds for the 4<sup>th</sup> payment. The beneficiary audit for the 4<sup>th</sup> tranche was finalized in July 2006 and confirmed the total beneficiaries as of March 31, 2006 as 191,293.

**2.2.8 Roads Component.** This component focused specifically financed the rehabilitation of the nearly 114 KM of tsunami-damaged southern coastal road from Kalutara to Matara. The Government's decision to use the same Project Implementation Unit (PIU) that was being used for the ongoing Roads Sector Assistance Project (RSAP) allowed for effective implementation of the component as the existing unit was already geared up and had experience in undertaking similar road rehabilitation projects. The civil works for rehabilitation of this road were broken down into three packages to avoid having one big contract which would require a single firm with larger resources. Such a huge contract would not have been without its inherent risks where a delay on any execution aspect would have jeopardized the whole roads component. Therefore, to avoid such complications and risks, GoSL and IDA agreed to have three separate contracts awarded to three different contractors. This component was divided as follows:

- Package I (Kalutra – Ambalangoda)
- Package II (Ambalangoda – Unawatuna)
- Package III (Unawatuna – Matara)

2.2.9 The GoSL's decision to go with the existing design/supervision consultant involved with RSAP also reduced risks and led to the smooth implementation of the works under the component. All of the three contracts were completed by June 2007. However, project cost for all three packages were revised upward on account of BOQ variations/additional work and cost escalation. There was an average price increase of about 23% on all three contracts. The government has provided an amount of LKR 240 million for these increased payments to contractors, but a total amount of LKR 225,072,973 still remains outstanding, excluding any interest payable to contractors on overdue payments. It is expected that these outstanding payments would be made once the variation orders are submitted/approved and the final disbursement under the project is made. Any remaining funding gap would, however, be borne by the government from their own resources. The quality of these roads upon completion was satisfactory, but it has been observed that certain sections of the roads have been dug up by utilities and are yet to be restored to their original state. This is mainly due to the lack of coordination between road maintenance and the utilities. The project also undertook construction of a storm water drain along the Galle Road in Mirrissa to improve the poor drainage conditions in the local area. Since the completion of these roads and related interventions, the Road Development Authority (RDA) has taken over these assets.

2.2.10 Health. The Ministry of Health (MoH) had requested IDA in January 2005 to meet a post-tsunami funding gap of LKR 803 million. Due to the long delay in procurement by MoH, this component never fully took off and has not been fully completed as originally designed. However, emergency life saving drugs worth about LKR 120 million were procured under the project at an early stage. TERP-1 closed on March 31, 2007 and its funds ceased to be available since. Therefore, it was agreed with the MoH and External Resources Department officials that only the activities initiated from the originally planned list of activities would be funded from the TERP-2 savings. The total estimated amount for the Health component at the time was about US\$3.5 million. The outstanding activities included reconstruction of three District Health Offices in Kalumunai, Galle and Matara, which are estimated to cost around LKR 423 million in total and procurement of 36 vehicles amounting LKR 209 million (subsequently completed under the project). MoH completed the necessary procurement processes for the reconstruction of the offices around March 2007, and the contracts were awarded soon after that. As explained above, TERP-1 closed in March 2007, and IDA could not agree on its extension due mainly to GoSL's non-compliance with the project's audit requirement. This situation created a shortage of funds leading to a delay in the start of the reconstruction of these offices. The government agreed to finance the pressing requirements of this sector through their own resources so the reconstruction of these offices and other outstanding requirements were subsequently taken up by GoSL.

### **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

2.3.1 Since this was an emergency-response project, there was limited provision for assessment and evaluation of the outcomes or impacts of the project activities. However, there was a clear

monitoring framework, with defined key performance indicators (KPIs), for quantification of different outputs from the project components. In addition, the periodic surveys and audits, particularly for livelihood cash grants, and the housing components allowed for generation and analysis of crucial data.

2.3.2 However, government's capacity constraints in implementation of an effective MIS based monitoring and evaluation system at all levels posed problems. This was compounded by the fact that the custodians of the data were frequently changing, which led to computation errors, lack of clarity in the M&E arrangements, data loss and infrequent reporting from various field entities.

2.3.3 Housing eligibility and verification surveys, third party quality audits, livelihood cash grant audits, CSIA and independent financial audits generated vital data. Even in the case of housing, however, there were issues related to determination of target indicators. This complexity arose as the Bank agreed to fund all eligible units identified for on-site reconstruction 'outside the buffer zone' under Phase I, thereby, targeting nearly 68% of the total caseload earmarked under the homeowner program under the Phase I. Due to this approach, the project could not initially determine the definite target in terms of the number of houses to be reconstructed or repaired since other Development Partners under the homeowner-driven program, i.e. ADB, SDC and KFW also funded onsite reconstruction within their project areas as per the IDA-recommended operational guidelines.

## **2.4 Safeguard and Fiduciary Compliance**

2.4.1 Environmental Impacts and Safeguards. The post-tsunami period saw a boom in reconstruction activities across the affected areas of the country. The GoSL declared a policy of 'build back better' and worked towards the urgent need of restoring normalcy in the lives of those affected. As a consequence, the unique opportunity of effectively integrating cross cutting ecological and environmental concerns into the sectoral interventions was lost. In the aftermath of the disaster, the government announced the use of a buffer zone as a disaster prevention mechanism. This was perhaps based on the need for the government to provide an immediate response, rather than a well researched technically sound judgment with public consultation. Applying such a policy to a densely populated coastal belt had profound implications on the environment, livelihoods and economy. The initial attempts to implement this policy saw the prohibition of any physical reconstruction in the declared no build zone and clearing of vast extents of new land in the hinterland (some natural areas) for proposed housing schemes (not part of IDA financed project). No clear system of environmental assessment preceded the process of site selection and construction and, as a result, crucial environmental planning took a backseat. Subsequently, due to many complexities involved in implementation, the GoSL withdrew the buffer zone policy and resorted to the coastal setbacks which are determined by the Coast Conservation Department (CCD) through scientific investigation and stipulated in the Coastal Zone Management Plan.

2.4.2 The Bank provided assistance for reconstruction of houses damaged and destroyed by the tsunami outside the 100/200m buffer zone declared by the GoSL. Environmental assessments for the relevant divisions of the Southern and Western provinces were conducted by the University of Ruhuna while the same for Northern and Eastern Provinces were conducted by the

Universities of Jaffna, Batticaloa and South-East. The assessments were based on a pre-tested questionnaire designed to capture potential environmental issues of housing reconstruction at each division in the TERP area.

2.4.3 The key environmental issues directly relating to TERP were those associated with extraction of natural resources as construction materials. The reconstruction process created a 'building boom' of unprecedented scale in the country. The need for sand, timber, rubble, clay, which is either directly taken or made from the natural environment, rose sharply in the local market. This had inevitable consequences for unsustainable exploitation. The EIAs identified possible sources of material supply for the selected divisions but there was no system in place to verify such information during or after reconstruction, since housing reconstruction was home owner driven and it was impractical to verify the origin of construction resources available in the open market. The EIAs also reported cases of people resorting to illegal sand mining, tree cutting to meet the local/personal demand. No assessment has been undertaken to identify or quantify the environmental impacts of increased sand mining, clay mining, tree felling etc either under TERP or nationally. This is a complex task given the widespread and scattered nature of resource bases and the difficulty in tracking the materials supply.

2.4.4 There was no demand for new land in the project as houses were built on the same land as before (in-situ reconstruction). As such, on-site environmental impacts were either none or marginal. The extent of debris generated from the tsunami, particularly from buildings, was reported to vary between divisions in the TERP area. By the time the EIAs were mobilized, removal of debris had taken place and re-used mostly as road/land fill. This, however, had given rise to various local drainage issues in some areas. Most people in the study area depend on groundwater and most wells were contaminated by the tsunami, especially in the Northern, Eastern and South-Eastern coasts. In the aftermath, affected communities were supplied with safe drinking water in many places (the efficiency of the relief services is evident from the fact that there were very low instances of diarrhea epidemics). While certain initiatives were undertaken by the environmental authorities to address the issues of contamination to land and water, no proper assessment has been done to quantify the impact of remedial action taken on the living environment. Ecologically, research data suggests that complete natural recovery was taking place by nature itself.

2.4.5 The project carried out environmental safeguards studies that were required of it. However, post clearance monitoring and follow up involved issues that went beyond the scope of the project. These were mostly off-site environmental impacts of resource extraction which were not exclusively caused by TERP but rather from the whole reconstruction process.

2.4.6 Social issues. The government hired a firm (Green Tech) to conduct the Continuous Social Impact Assessment (CSIA) for the project. The study also analyzed beneficiaries with uncompleted houses to understand the background and reasons. In the North and East, 93% of the beneficiaries with uncompleted houses reported that insufficient funds were the major obstacle. Indeed, the majority of uncompleted houses belong to poor beneficiaries – particularly in Jaffna and Batticaloa. These households will continue to be assisted under the IDA-administered IFRC Trust Fund. The slow progress of construction work in the North and East were attributed to the deteriorating security situation, resulting in both steeply rising costs of

construction materials and restrictions on access and transport of construction materials. Furthermore, 233 (27%) beneficiaries in Jaffna unable to complete their houses were subject to repeated displacements due to the conflict, which obstructed their reconstruction efforts. In Batticaloa, 12% (78 households in Vaharai area) were displaced and thus unable to complete their house reconstruction.

2.4.7 The top-up mechanism (the housing cash grant was topped up with direct NGO support either in cash or kind, frequently resulting in a total housing support amounting to LKR 500,000 to 750,000) common in the reconstruction of tsunami-affected housing allowed significantly higher level of assistance for affected families than was/is the case for conflict-affected families in the North and East under NEHRP, who receive only the cash grant for reconstructing their houses. District level distribution of the total beneficiaries supported under the project also shows that nearly 69% of the caseload in Phase I was located in the North and East Districts. While more than 97% of the units targeted in the South and West have been completed, about 92% of the total caseload in the North and East has been completed, indicating regional inequity in outcomes. Furthermore, in the South West almost 77% of housing units received the NGO top-ups. In comparison, in North and East, where the presence of NGOs and other donors were more scarce, the top-ups were given to only around 30% of the beneficiaries in average – but with huge variations between districts as only 10% of houses received top-ups in Jaffna and as few as 5% in Ampara. The result was confusion regarding whether or not families with NGO-assisted houses are still eligible for the government cash grants, and the government policy in this regard was implemented differently across the districts. IDA tried to address this issue through the independent beneficiary eligibility audit.

2.4.8 The redefinition of the buffer zone, i.e. reverting to the coastal protection zone, was positive in the sense that the issue of resettlement of the coastal population was greatly diminished. However, the changes of policy, combined with the weakness in communicating these to the public, had considerable negative consequences, apart from causing delays of the reconstruction process, as families within the former buffer zone were prohibited from initiating reconstruction of the house in situ. The changing policies also had differential impact on people, since all families living within the previous buffer zone were offered a donor-built house irrespective of land ownership status, the families living outside the coastal protection zone were eligible for the cash-grant provided they could document land ownership. Additionally, some poor families inside the buffer zone reportedly sold their land cheaply as they were barred from reconstructing their houses and needed cash. With the lifting of the buffer zone, the land increased in value – and the tsunami may thus have resulted in a change in ownership pattern in the coastal areas.

2.4.9 Proper housing sanitation was an issue, particularly in the North but also in the East as many newly built houses lack sanitation facilities. Part of the problem may have been shortage of funds, even though the cost of toilets are calculated separately, but the main reason seems to be that open defecation is socially acceptable, and the house owners don't prioritize a private sanitation facility. Considering the environmental health issues relating to open defecation, Government should explore ways to support its sanitation program with a comprehensive communication campaign related to health hygiene, in order to affect a change in attitude among the beneficiary communities toward open defecation.

2.4.10 There have been instances of security related relocation. In certain areas, tsunami affected households have relocated because of security concerns, e.g. in cases where houses were located next to an army camp. The population of approximately 4,446 families in Vaharai Division in Batticaloa district had to relocate into camps when the conflict escalated in 2006. Nearly 2,000 of these families were also tsunami affected. In March 2007, the population of Vaharai started to return, but many TERP houses had been damaged in the conflict.

2.4.11 The project was initially slow in setting up the social monitoring of beneficiary identification as well as the grievance redressal mechanism. When the grievance redressal mechanism was in place, it showed that the level of grievances was particularly high in the South West Housing Reconstruction Unit (SWHRU), but with considerable variation among districts and divisions in terms of rate of grievances and their approval/rejection. Most grievances were related to classification of damage as either 'fully damaged' or 'partly damaged' – since some cracks in houses apparently first developed after water receded. In the North East Housing Reconstruction Unit (NEHRU), the process was different as the caseload grew dramatically after the initial assessment (up to 100%), and grievances were far lower, around 10%. Local officials explained the increase in caseload with reference to: (1) the initial damage assessment not covering all areas and the Census Department relying upon the population figures from 2001 (Census Department later increased its damage assessment figures); (2) late appearance of cracks; (3) considerable 'social pressures' towards ensuring benefits being apportioned according to ethnic composition instead of actual damage, which may have resulted in inflated numbers. A special situation reportedly existed in Ampara, where 10% of appeal cases have to be reopened as it had been discovered that the Technical Officers registered damaged huts as 'partly damaged' rather than as 'fully damaged', thus depriving the very poorest of tsunami victims assistance to reconstruct their homes as permanent houses. The beneficiary eligibility audits also revealed that most of the rejected cases were due to two main factors: (a) lack of land ownership documents; and (b) beneficiaries availing a second home assistance through the donor-housing program.

2.4.12 In the wake of the tsunami, a range of land ownership issues had to be addressed before beneficiaries could avail of the housing grant. Joint ownership of land, loss of property documents, death of the landowner without any succession or will documents, and the loss of physical demarcation and boundaries of land were some of the issues observed in the South. Some 10-20% of grievances related to unsettled land issues. In the north east, a mobile Land Task Force established under the NEHRP dealt with land issues under TERP on a priority basis. In the south a similar Land Task Force was established, and land issues were dealt with on an ad hoc basis with considerable variation from division to division.

2.4.13 The CSIA reports have pointed out that the homeowner-driven housing program has significantly contributed to the empowerment of women among the beneficiary population. Not only did the project promote joint husband/wife bank accounts for the housing grants, but women were also empowered to undertake supervision and management of the reconstruction works. Feedback from beneficiary women indicate that they have benefited from the housing program in terms of acquiring skills in construction, financial management, team work,

leadership – and through these, have acquired more acceptance and recognition in the household and local community.

2.4.14 Fiduciary aspects. The overall responsibility of Financial Management (FM) for the project rested initially with RADA (TAFREN) and, thereafter, with the Ministry of Nation Building (MoNB), when RADA was absorbed into the Ministry. RADA / MoNB played a coordinating and monitoring role albeit weaknesses, while the day to day financial management related activities were carried out by the implementing agencies of the different programs under this multi-sectoral project. The project had a high FM risk due to its complexity. FM capacity issues led to: (i) consistent delays by RADA in meeting the reporting and auditing requirements of IDA, including the delay in appointing internal auditors for the Tsunami Housing Program; and (ii) misuse of operating expenses by RADA as observed by the auditors, leading to a request for a refund by IDA.

2.4.15 As per the country's Auditor General's audit reports received by the Bank prior to June 30, 2008, some potential corruption cases/irregularities were identified in the housing program. After GoSL's internal investigation, they accepted most of these cases, and the Bank's mission in May-June 2008 also verified some of the most serious cases in the field. The proven cases would be treated as ineligible expenditures, and the expenses made for these would be deducted / adjusted. The Auditor General's Office also questioned the procurement practice for three road packages, which was also subsequently questioned by the Bank's Department of Institutional Integrity (INT). IDA management decided to conduct a detailed procurement review for these packages by an independent party and suspend further disbursements for the component pending results of the review. However, the recently finalized review concluded that the procurement and contracting procedures followed for these packages were carried out in accordance with the Credit/Grant Agreement and that collusion at the time of bidding is not suspected.

2.4.16 Housing reconstruction was one of the key components of the project. Funds were channeled via the two commercial banks directly to the beneficiary bank accounts. Overall, the controls exercised at the commercial banks were satisfactory with the audits indicating an average ineligibility rate of 4% at the bank level. Similar observations were noted in the supervision activities carried out by IDA. The weak supervisory role played by RADA / MoNB was further compounded with the decision by the GoSL to close down SWHRU, which maintained a computerized database of beneficiaries in the South along with payments details to beneficiaries. MoNB did not maintain a consolidated database of beneficiaries and made no attempt to cross-verify the accuracy of the disbursement reports generated by the commercial banks to request for reimbursements. Due to these serious lapses in the control framework, the only risk mitigation measure for IDA was to adjust disbursement amounts based on the findings of the third party beneficiary and financial audits. RADA delayed the appointment of auditors and this resulted in significant delays in transferring IDA funds to the commercial banks. Also, where internal financial audit was not carried out, mainly due to lack of cooperation by the bank branches, these divisions were not funded by IDA. It is noteworthy that despite the lack of oversight by the centre, in general, there were no serious breaches in the internal controls at the bank branch level.

2.4.17 Procurement. The lack of capacity in public procurement by the central agencies (such as TAFREN/RADA) was a major challenge in the project. For the road component, GoSL did make an effort to expedite actions for early procurement, such as in the road sector, where preparation and issuance of bidding documents was really fast tracked and award recommendations for road reconstruction contracts were finalized within three months of submission. The international consultant contract for the construction supervision of roads was finalized within five months of issuance of Request for Proposals (RFPs). The Government's decision to select the ongoing consultant under RSAP following Single Source Selection (SSS) through a variation order to the original design contract proved to be a good decision, which saved time and allowed for early design of works under the component. Despite these highlights, issues were confronted during implementation in other sectors which resulted in delayed procurement and mis-procurement. This particularly impacted progress in the Health sector where implementation suffered due to procurement delays. Another noteworthy case occurred in July 2006, when IDA declared mis-procurement of 168 motor-bikes procured under TERP-2 and requested GoSL to refund an amount equivalent to US\$137,391.74. In September 2007, IDA officially reminded GoSL of this need for refund and subsequently raised this issue with GoSL on many occasions. IDA finally received this refund on May 21, 2009.

2.4.18 An ex-post procurement review was also initiated in May 2008 by IDA, but has not been concluded yet due to the difficulties in obtaining some procurement-related documents from the borrower's agencies. Upon IDA's warning to take an appropriate action against this, the Ministry of Nation Building finally submitted these documents to IDA in early December 2008.

## **2.5 Post-completion Operation/Next Phase**

2.5.1 Operation and maintenance arrangements. Under the project, houses and roads were reconstructed with a clear commitment for required maintenance to be provided by the new owners and relevant government department, RDA. Capacities of communities were also built through an elaborate training program and technical assistance provided through related government departments and NGOs. Various illustrative information materials such as posters detailing housing designs were also widely distributed amongst beneficiaries. Several professional masons, carpenters and other skilled craftsman are members of these communities and so home owners would be in a position to undertake any repairs and maintenance of their houses. RDA has a well defined operational maintenance cycle under government regulations for road maintenance.

2.5.2 Since the houses are privately owned, however, Government powers to intervene are rather limited. It should be noted that while the standard of maintenance of the reconstructed houses could be improved, it is similar to other housing on the island and reflects the abilities and resources of individual households, with some buildings being better maintained than others.

2.5.3 Sustaining institutional capacity and reforms. The tsunami although a tragic disaster has also provided an opportunity to Sri Lanka, to institutionalize all the lessons learned from this disaster. A lot of government officials at the central and local levels gained experiences in responding to such a disaster, and a culture of safety and preparedness has invariably been introduced in affected communities. These gains at the government and community levels need

to be consolidated. At present, the Ministry of Nation Building responsible for the tsunami reconstruction does not assume a function of disaster risk management. For this purpose, the Ministry of Disaster Management and Human Rights exists and has the appropriate national mandate. It is important to consolidate all gains made through the tsunami response experiences under such a suitable institution before the institutional memory of RADA/TAFREN and MoNB fades away.

2.5.4 Follow on operation. The country should now focus on mitigation and preparedness for future natural hazards. Presently, the GoSL and the people of Sri Lanka coming out of this disaster are committed to improving their response capacity to future disasters. There is currently some appetite for launching such a follow on operation. However, it is also felt that the government would need to streamline its institutional set-up for effectively undertaking disaster management before going into the much-needed mitigation and preparedness phase as there are currently too many ministries with overlapping mandates and responsibilities. In the meantime, the IFRC Trust Fund that IDA administers will continue to finance the housing reconstruction in North and East.

### **3. Assessment of Outcomes**

#### **3.1 Relevance of Objectives, Design and Implementation**

3.1.1 Relevance of objectives. The tsunami hit Sri Lanka during the implementation period of the previous CAS (2003). The disaster had such a profound impact on the country and a direct impact on the extent of achievement of the existing CAS pillars and the overall Bank portfolio that it was decided to add the Tsunami as a new pillar and associate outcomes to this pillar. The objectives of the project are very much in line with this pillar and the two outcomes associated with this pillar, i.e.: (i) restored housing in the affected districts; and (ii) restored livelihoods of the tsunami affected families. Housing reconstruction and livelihood support cash grants program were two major components contributing to the overall objectives of the project. The project objectives also remain relevant to the current CAS which was approved last year (2008). Specifically under CAS Outcome 3.2, Improved Health and Social Protection Services, there is direct mention of the need to develop capacity for effective delivery of cash transfers in post-disaster situations in Sri Lanka. Under CAS Outcome 3.3, Strengthening Environmental Protection there is a direct mention of the need to combat the adverse impacts of environmental degradation and for the Bank to support the government's response on climate change. These aspects are indirectly covered under the wider objectives of the project in terms of "building back better" principle, eco-friendly reconstruction considerations and disaster risk preparedness. The project objectives are also relevant to the Government's 10 year development framework, Mahinda Chintana (MC) in terms of supporting cash transfer programs to vulnerable communities who are most affected when disasters hit.

3.1.2 The project objectives are also consistent with the Government's Poverty Reduction Strategy (PRS) which calls for reduction of disaster risks through adoption of better disaster management techniques, better preparedness through flood resistant housing and development of early warning systems (Chapter 6, part IV: Social Protection), thereby, improving the resilience of communities to deal with natural disasters.

3.1.3 Design and implementation. The Project design was relevant to the needs of the Government and the people who were affected by the tsunami. An implementation approach with centralized policy and strategy formulation and a field-based implementation contributed towards relatively smooth implementation. Furthermore, transfer of funds directly to the affected people helped put them in the driver's seat of reconstruction and contributed to the overall achievement of most project objectives.

## **3.2 Achievement of Project Development Objectives**

3.2.1 ICR rating: Overall achievement of Project Development Objectives is moderately satisfactory.

3.2.2 PDO 1. Carrying out the first phase of an emergency recovery and reconstruction program in the Tsunami affected areas / Reduce the immediate suffering resulting from the effects of the Tsunami and restore livelihoods. This objective is rated as satisfactory. This rating is attributed to the single most important outcome associated with the objective, i.e. the success of the Livelihood Cash Grants Program which was completed ahead of time in 2005 under TERP-1 with the four installments paid to about 191,293 confirmed beneficiary families. The success of the livelihood program and its contribution towards the effective recovery of the affected population warrants this rating.

3.2.3 PDO 2. Restore basic services to the affected population. This objective is rated as moderately satisfactory. The original project components and activities, which were to contribute towards achievement of these outcomes, included various sectors as contingent components covering basic housing facilities, water and sanitation, electricity, roads, health and education services to the affected population. Basic services such as shelter and access to transportation were successfully provided within the scope of the project. Housing facilities were provided to the affected population and over 94% of the target population under the program was covered. However, due to the problems in implementation (e.g., on the fiduciary side) the earlier accumulated housing backlog could not be cleared since the project closing date could not be extended. Also, there was an uneven picture in the regional distribution of housing outcomes, with affected communities in the North and East showing a lower completion rate than in the South and West. Another negative aspect was that around a quarter of the non-completed houses belonged to Female Headed Households (746 households) – which means that 70% of the Female headed households among all Tsunami Housing beneficiaries were unable to complete their house construction, reflecting the particular poverty and vulnerability of these households. The affected roads, which were also targeted under the program, were also reconstructed (114 km). The education sector was kept as a contingent component and was never activated due to other priority areas/gaps while there were limited interventions in the case of health sector on account of other priority sectors. The contingent components were kept due to the emergency nature of the project and were only intended to be activated if an emergent need arose.

3.2.4 PDO 3. Start the recovery and reconstruction process. This objective is rated as moderately satisfactory. At a time when the institutional structure required to coordinate and

facilitate all recovery and reconstruction efforts was in its nascent stages, the project financed the initial operational costs of TAFREN and, subsequently, the same costs of RADA, which in a way helped start the recovery and reconstruction process. This financing included the much-needed office equipment as well as training of local level staff, such as technical officers, who played an important role in housing damage assessment and inspection. However, the creation of a totally new agency (TAFREN) responsible for tsunami reconstruction at the central level faced serious challenges from time to time due to its lack of capacity in such critical areas as procurement and public financial management and also because of the lack of effective coordination mechanisms between TAFREN and various other agencies. Subsequent institutional changes to RADA and MoNB created the same challenges.

### **3.3 Efficiency**

#### **3.3.1 Economic Rate of Return and Cost Effectiveness**

Not applicable.

3.3.2 The project was an emergency response operation and no economic or financial analysis was undertaken during appraisal.

#### **3.3.3 Financial rate of return**

Not applicable.

### **3.4 Justification of Overall Outcome Rating**

3.4.1 Rating: Moderately Satisfactory. The overall rating is based on the ongoing relevance of the project to both the Government's national development framework strategy, PRS and the Bank's Country Assistance Strategy (see Section 3.1), a review of achievements of the main project objectives (see Section 3.2). It is difficult to make any assessment based on the efficiency assessment (see Section 3.3) since this was an emergency project.

### **3.5 Overarching Themes, Other Outcomes and Impacts**

- (a) Poverty impacts, gender aspects, and social development. In the aftermath of the disaster, the program contributed towards prevention of further increase of poverty levels amongst the most vulnerable segments of the population through the livelihoods support program as well as the housing reconstruction program. The build back better policy also improved housing conditions for those who had lived in temporary thatched houses prior to the disaster. The homeowner driven housing program also empowered women through skills development and recognition as important contributors towards community development. The project also promoted opening of joint bank accounts (husband/wife) for the housing grants and encouraged women to participate in the construction and supervision of their houses. The project also helped build social capital in the tsunami affected communities and helped restore the local economy through the livelihood support cash grants and the reconstruction of coastal roads.

- (b) Capacity building of Government entities and institutional development. The government entities implementing the project gained invaluable experiences in managing and implementing such a large scale disaster response project. The project particularly strengthened capacity at the district level. From strategy formulation to resolution of complex issues, the on-the-job training of government staff have equipped them with skills that would help them better respond to future disasters. However, at the central level, the frequent institutional changes and transfer of concerned officials created a situation where the full potential of capacity building could not be realized.
- (c) Other unintended outcomes and impacts. (i) *Promotion of a Banking Culture:* Under the housing program, housing grants were transferred to beneficiary bank accounts. Many beneficiaries who did not have bank accounts prior to the disaster had to open them. In this way, a banking culture was promoted in many affected areas. (ii) *Promotion of a culture of safety and preparedness:* The disaster had a deep impact on the affected population, especially people who had lost someone. This created an atmosphere where the affected population was more willing to readily accept the safety guidelines being promoted by the Government through the project in the case of the housing program. Therefore, the project was able to create and promote a culture of safety and voluntary compliance amongst the target population. (iii) *Capacity building of the local construction industry:* The tsunami caused considerable damage to the country's infrastructure in all sectors. The project supported part of this reconstruction requirement, particularly in housing and roads. Such reconstruction activities helped build local contractor capacity. The training of artisans under the housing program of the project has also provided a valuable skilled workforce to the industry.

### **3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

A formal beneficiary survey was not carried out, but beneficiaries were interviewed during ICR preparation. A stakeholder workshop was conducted and lessons learnt shared and discussed (Summary of proceedings and discussions attached in Annex 6).

## **4. Assessment of Risk to Development Outcome**

Rating: Moderate

### **4.1 Risk to Development Outcome.** The overall risk to development outcome at the time of project closing is rated as moderate, due to the following factors:

- (a) Political risks are significant. Considering the current political situation in Sri Lanka, the expanding conflict between the government and the LTTE and the lack of political dialogue, the political risks to the development objectives are considered as significant. This is especially applicable to the affected areas in the North East where fighting is currently at its peak and there is a high risk that all the gains achieved through the project could be adversely affected.
- (b) Government ownership and commitment. Risks in this area are Negligible. The disaster has reinforced the commitment of the government to be better prepared to deal with future disasters. The government seems interested in enhancement of their disaster preparedness capabilities and considers the project as a success. It appears that the

government would like to move forward on the overall disaster management agenda rather than undo the gains that have accrued under the project. However, the possibility of the contrary cannot be ruled out on account of various factors.

- (c) Institutional risks are moderate. The Ministry of Nation Building is the current agency which implemented the project. This ministry is the successor to TAFREN and RADA. Considering this history, the institutional risks seem apparent. This is compounded by the fact that many government staff that were part of the tsunami response and the project are now posted to different agencies within the government or some of them even left the government. Additionally, the Ministry of Nation Building does not have a wider disaster management role and the inherent clash of this ministry with the Ministry of Disaster Management for any future interventions/steps towards consolidation of the gains made through this project cannot be ignored.
- (d) Natural disasters risks are moderate. The major disasters faced by Sri Lanka include floods, cyclones, droughts and landslides. Since the country is an island with settlements relatively close to the coast and, in many cases, across flat lands there is limited response time as well as limited shelter options when disasters such as floods and cyclones/storm surges do strike. Such incidents and the 2004 tsunami have also led to the thinking within the government that they need to be more proactive in promotion of disaster preparedness and mitigation measures.

## **5. Assessment of Bank and Borrower Performance**

### **5.1 Bank Performance**

#### **(a) Bank Performance in Ensuring Quality at Entry**

*Rating: Moderately Satisfactory*

The Bank's performance in the design stage is rated as moderately satisfactory. During the design phase, the project team ensured that development objectives and the project scope conformed to the emergency nature of needs that had arisen due to the disaster. The team also ensured that the initial project implementation was rapid and responsive to identified priority needs through a phased approach. Recognizing that the Government had limited capacity and the central implementing agency (TAFREN) was a newly created organization with limited knowledge of Bank procedures and guidelines, the project team incorporated a capacity building component into the project design. While going for the dedicated new agency approach, however, the team should also have considered the possible contentious relationship such an agency could have with the existing government agencies/departments. This could have been mitigated through pre-dominant use of suitable existing government resource persons in the dedicated agency who would have had better rapport with other government agencies. This institutional set-up in the center ultimately became a considerable stumbling block in efficient implementation of the project. For example, since the new institution was in a way outside the existing government structure (TAFREN/RADA), the other government departments and district authorities did not have an effective working relationship with TAFREN/RADA. This created disconnect and difficulties in information flow. Although data was available at the government departmental level, it was sometimes not accessible to TAFREN/RADA and impeded work of the two participating banks. Lack of understanding on who was responsible for reconciling the

data was creating issues around beneficiary eligibility. It also triggered TAFREN/RADA delays in meeting reporting and auditing requirements to IDA. The Bank team also took cognizance of the potential governance issues which could arise due to the scale of the disaster and the required response under the project, and took appropriate steps to address these issues through requirements such as, independent reviews, 3rd party technical and eligibility audits, and continuous social assessment. Overall, the flexibility of the design, the possibility of directing funds to identified priority areas through contingent sectors/components, and the decentralized implementation approach allowed for a greater chance of achieving the development objectives.

**(b) Quality of Supervision**

*Rating: Satisfactory*

The Bank team conducted regular supervision missions, with at least one and sometimes two missions per year, including a full blown mid-term review mission and additional special visits on a need basis. In May 2007, the Task Team Leader (TTL) moved from Head Quarters (HQ) to Colombo which enabled continuous supervision by IDA. This contributed towards the relatively successful completion of the operations. The task team regularly discussed key issues and the way forward with the government, stakeholders and counterpart staff through face to face meeting and audio/video conferencing. The project life saw only two task team leaders thereby providing a degree of continuity to the Borrower. However, other task team members, particularly in procurement, changed a few times during the course of implementation, which caused some problems to both the core task team as well as the borrower. The task team also regularly reviewed various eligibility surveys, technical and financial audits and discussed findings and required actions with the government. Supervision missions regularly met with various stakeholders, periodically inspected physical works in the field and conducted interviews with beneficiaries, community groups and building materials suppliers.

**(c) Justification of Rating for Overall Bank Performance**

*Rating: Satisfactory*

Strong supervision by the task team became more frequent during the last years of the project, which allowed the project to end on a positive note that the development objectives have been achieved. Considering that the project was designed in a relatively short period of time as an emergency operation, and given the difficult circumstances where many tsunami affected areas are also in the conflict, the Bank team did a commendable job both in design and supervision of the project.

## **5.2 Borrower Performance**

**(a) Government Performance**

*Rating: Moderately Satisfactory*

The tsunami recovery program was a complex and challenging task for the Government to begin with, considering the scale of the disaster and the compromised existing capacities in the various affected regions. GoSL did make initial progress in carrying out the needs assessment and launching the reconstruction phase. However, certain hurried decisions which lacked the

technical analysis required to reach an informed decision adversely affected the implementation of the reconstruction program, particularly in the case of housing where coastal set backs were ordered through creation of a coastal buffer zone. Although the Government acted in good faith with intention of ensuring the safety of the people in the aftermath of the tsunami, it was a decision taken without proper consultation with stakeholders and technical input. This led to a reaction from the people and adversely affected the pace of reconstruction which led to the Government ultimately reversing this policy. The government in this particular case ignored the work already carried out in this regard under the existing laws and related government entities such as Coastal Conservation Board (CCB). The Government also did not have a well thought communications strategy to deal with various project related issues, interventions and associated impacts. The absence of such a coherent strategy and approach affected the effectiveness of communicating the reconstruction message and so the potential gains which could have been had were not fully realized. The Government also constantly delayed submission of audit reports as required under the legal covenants, which led to the failure to extend the project closing date.

**(b) Implementing Agency or Agencies Performance**

*Rating: Moderately Satisfactory*

The implementing Agency had to face many challenges since its inception. At times the challenges were external to the agency such as political change. The implementing agency was initially changed with the change of the political leadership / government in Sri Lanka. The initial implementing agency, TAFREN was replaced by a new reconstruction authority, Reconstruction and Development Agency (RADA). This change adversely affected the pace of implementation as the new agency took time to get its bearings. This was followed by yet another change in the implementing agency when the Ministry of Nation Building (MoNB) took over RADA (end of June 2007) and downsized it significantly. MoNB then decided to change its set up through establishment of a new unit to continue to work on the tsunami reconstruction. This led to yet another transition period again negatively impacting project implementation progress and the project pretty much remained at a standstill for almost six months. Implementation was also fraught with various issues related to procurement and financial management which led to observations from the Country's Auditor General as already explained in detail under headings of Fiduciary and Procurement respectively in section 2.4. Despite all of these challenges, the Agency kept its focus towards the implementation of key components of the project i.e. housing and livelihood support. This is why, although at times there were issues, these components did well and the overall objectives were achieved.

**(c) Justification of Rating for Overall Borrower Performance**

*Rating: Moderately Satisfactory*

The implementation of the project by the Government was negatively affected by the capacity constraints leading to weak supervision and monitoring. This was further exacerbated by the frequent changes in the implementing agency at the central level and a number of hurried decisions mainly due to political considerations. The ongoing conflict in the north and east also remained a serious challenge for the Government. Despite all of these circumstances, the project mostly succeeded in attaining its development objectives through the support of all stakeholders, especially beneficiaries themselves.

## 6. Lessons Learned

### 6.1 **Flexibility of project design, particularly in emergency operations facilitates implementation and provides a greater opportunity for achieving project objectives:**

The project design was kept fairly flexible in that there were contingent components included with the idea that the scope of work and the areas of interventions would be adjusted as the project implementation proceeds based on identification and prioritization of emerging needs. Since this was an emergency operation it was prepared on a fast track basis under emergency procedures and it was not possible to cater for all needs as these were changing quite frequently based on the disaster situation. Therefore, the flexible approach used by the project worked well and could also be used while designing other emergency operations.

### 6.2 **An institutional arrangement, where a central agency develops policy and strategies and field-based agencies implement them, works well in large scale emergency response and reconstruction programs:**

Given the unprecedented scale of the 2004 tsunami damage, the overall needs for emergency response and reconstruction efforts in the aftermath of the disaster posed a formidable challenge. The task was exceptionally difficult considering the conflict situation in the northern and eastern areas of the country, which were hit hardest by the tsunami. In such circumstances, the institutional arrangement to implement the key housing component, namely, having a centralized policy and strategy formulation at TAFREN / RADA / MoNB with a field based implementation agencies i.e. South West Housing Reconstruction Unit (SWHRU) and North East Housing Reconstruction Unit (NEHRU), was well conceived and worked adequately. However, this ideally should have allowed more room for local innovation, improvisation and development of localized solutions. During implementation, there were incipient tensions between the center and periphery from time to time. RADA at the center and the field-based agencies often had differing views, which led to situations where the field agencies sometimes used approaches that they felt were more appropriate within the confines of the policy. Meanwhile, the province and the local governments never really had a large role in the tsunami reconstruction efforts, and their roles will have to be defined in the future disaster management and reconstruction.

### 6.3 **Training, continuous social mobilization and effective strategic communications are critical for the success of projects and consolidation of gains:**

The project had a provision for technical assistance and training of artisans / homeowners in safe construction techniques and guidelines. Such trainings not only built the required capacity of the home owners and artisans to the level where the pre-dominantly homeowner driven housing reconstruction program achieved its target numbers rather also built capacity of the local construction industry through providing skilled labor. Social mobilization was not extensively carried out under the program. Although under the housing program there was a provision for formation of Village Rehabilitation Committees (VRC), there is little evidence to suggest that this happened across the board or that these committees significantly contributed toward mobilizing communities. Non Governmental Organizations (NGOs) involved in the housing program also did not have

social mobilization as a primary focus area, rather they were committed to reconstruction under the donor driven housing program. There was also provision for a continuous information dissemination campaign under the housing component; however, such a campaign under an overall strategic communications vision did not materialize. There were limited housing information products such as frequently asked questions (FAQs) and posters, which were developed on a need basis, but lacked an effective dissemination plan. Among other impacts, limited strategic interventions in communications led to a lack of understanding of the program and its objectives across many quarters which translated into lack of commitment in implementation support.

**6.4 Development of operational manuals and their official notification by the government / implementing agency clarifies the roles and responsibilities of multiple players and partners involved in the program and facilitate smooth implementation:**

Detailed operational manuals (OM), particularly for the housing component, were developed under the project. The OM was officially notified by the government which should have led to a clear understanding of roles and responsibilities by all players and partners involved in implementation of the program. In reality implementation posed challenges in terms of coordination between different players, especially commercial banks and District level set-ups with the center. In such programs, where there are a diverse range of players / partners and implementation is across a vast scattered area, normally development of such OMs does play a positive role in effective implementation serving as a guiding document. Preparation of such manuals under a post disaster situation needs to consider:

- Participatory and inclusive preparation of the manual, in the light of international practices, tailored to local needs;
- Clear upfront clarification of the roles and responsibilities of multiple players and partners, including government institutions, civil society, beneficiaries, e.g., while the OM is finalized over a period of time, a set of operating instructions can help in the early stages of program implementation;
- A binding implementation framework that mandates official notification of the manual and monitoring mechanisms/periodic audits for ensuring compliance; and
- The manual to remain “alive” – in terms of being responsive to emerging requirements and localized solutions – while remaining within the confines of the program policy framework.

**6.5 Effective planning in the areas of logistics and material supply play a vital role in the success of emergency response/reconstruction projects:**

Most of the houses damaged/destroyed by the tsunami were located in relatively accessible areas barring the conflict ridden areas of the North East. Therefore, logistics in this particular case in relation to transportation of materials to construction sites was not largely an issue. However, the huge demand of construction materials owing to the tsunami and ensuing construction boom caused a sharp increase in material prices. In such situations, proactive material facilitation measures by the project such as encouragement of bulk community procurement on a wide scale and discussions / consultations with leading construction material manufacturers and other fiscal measures by the government to

counter rising prices could have further positively impacted the project outcomes. The VRCs could also have been utilized in encouraging community led initiatives towards material facilitation.

**6.6 Third-party technical audits, independent financial audits and eligibility surveys in addition to existing government mechanisms are good tools for reducing the risks associated with governance issues and increase the transparency and credibility of programs:** The inclusion of requirements of the 3rd party technical audits, eligibility surveys and independent audits, in addition to existing government mechanisms such as the Auditor General's Office, played an important role in increasing transparency and the credibility of the project. Such audits are especially relevant for housing reconstruction and livelihood support programs where grants were given to a target population under the certain criteria.

**6.7 The home owner driven approach with necessary technical assistance allows affected communities to develop ownership of the program and yields results:** The home-owner approach adopted under the project proved a great success. Many beneficiaries preferred this approach to the donor driven program. Home owners under this approach had the incentive of constructing houses of their choice and requirements under certain safety guidelines. They also received useful training in construction and supervision and their participation in the reconstruction of their houses gave strong ownership to the program and beneficiaries felt empowered. The program also allowed:

- Ownership by affected communities of housing solutions;
- Greater room for inclusion of beneficiary choices (especially vis-à-vis architectural aspects);
- Promotion of safety culture and awareness;
- Skill development of affected communities;
- Pace of reconstruction (interest of beneficiary); and
- Reduction in pressures on materials supply chain through staggered construction (especially in post-disaster reconstruction situations, provides supply-based controls over material prices).

In such home-owner driven programs, there is also a need to provide special assistance to vulnerable groups such as female headed households and the elderly so that they can reconstruct their houses in a timely manner since they are intrinsically disadvantaged in achieving similar physical progress and results. The project did not have any special arrangements to cater for this particular segment of the affected population. Similar programs in the future should be designed to provide greater and extended support to such groups - the modus operandi for extending such support should be made a specific subject of discussion at multi-stakeholder consultations and policy discourses.

**6.8 In the case of emergency operations, the effects of the disaster on government and implementing agencies with respect to their capacities should not be underestimated and project targets and implementation period should be planned/designed accordingly:** The project was an emergency project and was rapidly processed under the

Bank's emergency guidelines. Under normal circumstances for routine development projects, ambitious targets and deadlines may be achieved with relative ease. However, in emergency situations when the government's own capacity is also adversely affected by the disaster, a more conservative approach yields better results. Although targets were largely achieved in this project, the government machinery was stretched to the limit and time extensions were requested which could not materialize due to a variety of reasons. Additionally, creation of a new institutional set up in the aftermath of a disaster for implementation of the reconstruction effort also raises questions, particularly in relation to the ability of such a set up to flourish and take on the reconstruction task in such a short period of time and also on the sustainability of such an institution. RADA received a large amount of funding from donors but could not build capacity to its optimum level and was ultimately prematurely wound up by the government and its functions given to the MoNB. In the case of Pakistan, the Earthquake Reconstruction & Rehabilitation Authority (ERRA), which was created in the aftermath of the 2005 earthquake did exceptionally well in developing capacity and effectively responding to the disaster. This was perhaps possible because, as opposed to RADA, ERRA was formed with a time bound, yet clear mandate, and was staffed through existing government resources with key experts hired in through donor assistance. It was, therefore, seen as a Government led donor assisted entity having full support of other implementing government line agencies.

- 6.9 Joint strategic planning and coordination amongst different donors, especially after disasters, allows for a more effective response through avoiding overlaps and addressing priority areas to the benefit of the country and its affected population:** If donors work together, especially in disaster response and coordinate their plans to avoid intervention overlaps and gaps, there is a positive impact on the overall response. In this project, different donors such as IFRC, ADB, SDC, KFW and UN-Habitat worked together as per their comparative advantages. There were joint discussions and planning including a joint strategy on program closure.
- 6.10 Varying approaches in implementation by different players in the same reconstruction program in the aftermath of a disaster may give rise to issues such as inequity:** Although the IDA financed housing component of the project had one implementation approach, i.e. home-owner driven reconstruction, there was another approach of contractor-driven housing reconstruction under the same wider housing reconstruction program financed by other bilateral donors and implemented mostly through NGOs. The latter program also had the possibility of "top-ups" which meant that some home owners received grants of up to LKR 1 million rather than the normal LKR 250,000 government housing grant. Additionally, the distribution of these top-ups on a geographical level was also disproportionate with the South West receiving more top-ups than the North East resulting in inequity issues (See section 2.4, Social Issues for more details). Another unintended impact of the varying housing reconstruction approaches was that the home-owner driven housing program empowered the client but ran into bottlenecks due to the inflated cost of materials partially triggered by the donor driven housing program.

- 6.11 Effective Grievance Redressal Mechanisms and documentation are essential for addressing the concerns and issues of beneficiaries and allowing for smooth implementation of the program:** A robust grievance redressal mechanism (GRM) was designed into the project with Village, District and Divisional level Grievance Redressal Committees established to deal with grievances ranging from land issues to other housing related complaints. In order to deal with grievances related to housing damage, special District Teams with the required technical skills were formed in order to reassess the houses which had genuine complaints against the already undertaken assessment of the Damage Assessment Teams (DAT). Both teams comprised of separate officials so as to avoid a conflict of interest situation. During implementation, the GRM did not function to its full potential as was envisaged mainly due to poor documentation of grievances (although beneficiary log books were maintained) and the manner in which the Regional Housing Units were wound up. However, the GRM did serve the purpose of increasing accountability and providing the beneficiaries with a framework through which to resolve their complaints. Setting up effective Grievance Redressal Mechanisms requires:
- Structured documentation, compilation of grievance data.
  - Grievance tracking and redressal (Response-Time) monitoring systems.
  - Central oversight and control of grievance redressal functions, and decentralized grievance resolution arrangements with local participation.

Such mechanisms help in:

- Speedier resolution of grievances leading to faster disbursements and program completion.
- Progressive incorporation of beneficiary and community feedback in the project implementation framework and arrangements.
- Reduces reputation risks emanating from lack of beneficiary satisfaction.

- 6.12 Disaster preparedness component for emergency reconstruction projects:** When disasters strike, the primary focus always remains on the early recovery and reconstruction efforts. This is understandable since almost all emergency projects list these as the primary objectives one way or another. However, this does not underscore the need for incorporation of disaster preparedness elements in such projects. Such post-disaster situations provide unique opportunities to mitigate some elements of disaster risks through preparing communities to better deal with them. Communities are more willing and focused on disaster management issues in the aftermath of disasters and government resources are also mobilized, creating a favorable environment for implementation of such disaster preparedness components. In this project 'disaster preparedness' elements were never really built into the recovery initiatives. For instance, those areas where the mangrove forests and coral reefs remained intact were less impacted by the tsunami in contrast to areas where prior environment denudation had taken place. Disaster mitigation and preparedness initiatives, such as mangrove reforestation, could have provided a unique opportunity to complement the build back better approach.

- 6.13 An effective Reporting Monitoring and Evaluation system is essential for enabling informed decision making at both policy and operational levels:** Reporting and monitoring was carried out under the project at various levels. However, it was more need-based rather than institutionalized periodic reporting. A comprehensive and integrated Reporting Monitoring and Evaluation (RME) system did not materialize under the project. Regular reporting was happening at the regional level, particularly in SWHRU, however, the upwards flow of data all the way up to TAFREN/ RADA/ MoNB where meaningful evaluation was supposed to take place and resultant downward flow of strategic direction was not fully realized. Such a system could have assisted the government in an even better implementation of the project. An effective (lean and mean) Reporting, Monitoring and Evaluation System is essential for:
- Timely identification of problems and issues, through data-based quantification, trends analysis – and development of informed solutions.
  - Enabling informed decision making at Policy and operational levels.
  - Mid-course corrections to the program.
  - Tracking of project outputs and intermediate outcomes.
  - Provide harmonized and comparable data for progressive program monitoring, control, and mid-term/final program evaluations.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

### **(a) Borrower/implementing agencies**

The actual position is that GoSL has accepted that the refund of US\$137,391.74 related to the misprocurement of motor-bikes will be made. There were procedural delays in collecting the required information due to the change of institutions which handled this subject since July 2006. However, in early 2009 all the information required was finally submitted to the Treasury and IDA received this refund on May 21, 2009.

### **(b) Co-financiers**

There were no co-financiers involved in TERP-1 and TERP-2. IDA is currently managing a trust fund of US\$ 25 million contributed by IFRC, which specifically finances housing reconstruction in the former buffer zone (referred to Phase II). The IFRC Trust Fund is outside the scope of this ICR.

### **(c) Other partners and stakeholders (e.g. NGOs/private sector/civil society)**

None received.

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Housing Reconstruction	60.00	65.00	108%
Capacity Building	10.00	8.00	80%
Roads, Water Supply, other Infrastructure	41.00	34.60	84%
Livelihood Support	35.00	32.90	94%
<b>Total Baseline Cost</b>	146.00	140.50	96%
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	4.00	0.00	0.00
<b>Total Project Costs</b>	150.00	140.50	94%
Front-end fee PPF	0.00	0.00	00%
Front-end fee IBRD	0.00	0.00	0.00
<b>Total Financing Required</b>	150.00	140.50	94%

### (b) Financing

Source of Funds	Type of Co financing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		0.00	0.00	0.00
International Development Association (IDA)		120.00	115.20	96%
IDA GRANT FOR NATURAL DISASTERS		30.00	25.8	84%

## **Annex 2. Outputs by Component**

All components have been covered in sufficient detail under Section 2.2. However, one of the main components of the project i.e., housing reconstruction requires more explanation in relation to quality aspects. These aspects are covered in detail under this section as follows:

### **A2. Technical Quality Assessment of the Homeowner Driven Housing Program**

#### A2.1 Background

Under the institutional set up, the technical supervision and physical progress monitoring of the homeowner driven housing construction program was the primary responsibility of the divisional secretaries and the project implementation units; South West Housing Reconstruction Unit and North East Housing Reconstruction Unit. The government engaged Third Party Technical Quality Assurance Auditors to strengthen the technical supervision and quality assessment processes as well as to conduct a third party technical audit of the housing reconstruction program.

As part of the concurrent audit, the methodology used by the third party auditor included a review of the mid course actions being taken by the project implementation units to rectify the technical supervision and quality limitations pointed by the technical audit team. This entailed revisiting some of the houses identified for retrofitting. The audit primarily entailed an overall technical evaluation of the reconstruction program at the end of each construction cycle. The technical quality audits for Phase 1 of the housing program were done based on the ‘acceptable level of compliance’ with the technical guidelines outlined by the project. The technical auditor established ‘technical quality control and compliance check lists’, for the audit. As part of the concurrent audit, the consultants identified the ‘non-starters’ so as to enable the project-implementing units to take necessary steps to bring back these families into the program. Since repairs of partly damaged houses were underway and in many cases completed, the third party technical audit focused primarily on the construction supervision and quality auditing of the fully damaged houses.

The Government engaged the Central Engineering Consultancy Bureau (CECB) as the technical auditor for the Phase 1 and GreenTech Consultants as the auditor for the final audit for Phase 1 of the housing program. Both these audits have used common methodologies for determining the technical quality of construction. These are based on the following broad indicators: (a) type of foundation, construction of plinth beam, construction of column footings for foundation, (b) construction of tie beam for superstructure, (c) roof anchoring, (d) quality of materials and workmanship, (e) provision for kitchen, and (f) construction of toilet. Reconstruction of houses was based on the ‘core house concept’ stipulated by the project<sup>3</sup>.

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<sup>3</sup> Core housing unit is defined as ‘Unit that can be separated from the rest of the foundation to have two independent rooms, a kitchen and a toilet that can be built and completed with one finished room for occupation. The minimum plinth area is determined as 500 ft<sup>2</sup>.

## A2.2 Scope of the Audits

The concurrent technical audit of the Phase 1 was done from March 2006 to September 2006. Due to contractual issues, the concurrent audit done by the CECB was terminated after October 2006. Institutional and procurement delays in engaging the technical auditor limited the effectiveness of the audit as a quality enhancement tool. To determine the overall quality of the housing reconstruction program, the Government subsequently engaged the GreenTech Consultants to conduct a one-time/point audit for both phases of the housing reconstruction program. While the concurrent technical audit for the Phase 1 was based on a monthly sampling of 5% of the fully damaged units, the second stage one point audit done by the GreenTech Consultants is based on a 10% of the Phase 1 fully damaged units.

## A2.3 Technical Audit Findings

### ***Concurrent Audit***

The concurrent technical audit undertaken for the phase 1 from March 2006 to September 2006 established that nearly 60% of the units did not meet the plinth and column footing and roof anchoring guidelines stipulated by the project during the initial implementation phase of the project. Most of the technical inadequacies pointed by the auditor have been subsequently addressed with the direct intervention by the technical staff.

<i>Table 1</i>	<i>Percentage of Units With Technical Acceptability</i>				<i>NGO Supplementary Assistance</i>
	<i>Plinth and Column Footing for Foundation</i>	<i>Tie Beam for Super Structure</i>	<i>Roof Anchoring</i>	<i>Material and workmanship</i>	
<i>Districts</i>					
Ampara	7.8	75	27	95	63.7
Batticaloa	14.6	75	73	100	5.3
Mullaitivu	2.5	63	56	100	-
Jaffna	19.3	100	71	100	-
Galle	47.3	88	3	99	81.2
Hambantota	70.1	94	13	100	88.1
Kalutara	51.7	79	2	99	78.2
<b><i>Total</i></b>	<b><i>39.1</i></b>	<b><i>71</i></b>	<b><i>39</i></b>	<b><i>90</i></b>	<b><i>37.1</i></b>

*Source: Monthly Audit Reports; CECB; RADA, Number of Units Audited: 4640, March-Sept 2006*

The audit has estimated that more than two third of the units have met the tie beam requirement. However, more than 90% of the units used acceptable level of materials and workmanship across all structural works (Table 1). Interestingly, the cyclonic threats experienced in the North Eastern parts of the country have increased the awareness of the people to improve roof anchoring. An important observation made during the concurrent auditing is that the levels of supplementary assistance provided by national and international non-government agencies have contributed for a higher technical quality through the application of better construction practices.

## Overall Technical Quality of Houses

The overall technical quality of houses was assessed through a one-point sample audit for the units constructed during phase 1 of the housing program. The audit findings are summarized in Table 2.

Table 2		Phase 1
Technical Quality Parameters		1866
Sample Size		Technical Quality Index (%)
<b>Foundation</b>		<b>88.8</b>
1	Core housing elements: Acceptable	80.9
2	Plinth area equals or more than 500 ft <sup>2</sup>	96.8
3	Depth of foundation: more than 1 ft	97.6
4	Width of foundation: equal or more than 1ft	99.2
5	Quality of works: average and above	98.8
6	Quality of Rubble used: average and above	89.4
7	Use of DPC	58.7
<b>Super Structure</b>		<b>95.1</b>
1	Tie beam at Lintel level: Acceptable	90.6
2	Quality of masonry works: average and above	99.7
3	Quality of materials: average and above	95.2
<b>Roofing</b>		<b>95.3</b>
1	Slope of roof: acceptable	91.9
2	Anchoring of roof: yes	90.2
3	Eaves length Adequate	98.2
4	Quality of works: average and above	99.0
5	Quality of tiles: average and above	99.8
<b>Overall Score</b>		<b>92.4</b>

Source: Technical Audit Reports; GreenTech Consultants, RADA, September 2008.

Note: Total number of completed fully damaged houses in Phase 1 is 18413 units.

The audit covered 10% of the completed new houses (1866 units) in the Phase 1 to determine the overall technical quality and structural acceptability of the completed houses. Unlike the concurrent auditing, the one time sample audit has used robust technical parameters consisting of the quality of foundation, superstructure and roofing to determine the overall technical quality. The audit has used fifteen critical parameters for this analysis.

The audit has observed that nearly 90% of the newly reconstructed houses completed in the phase 1 of the program have satisfied acceptable level of technical requirements with respect to the three structural aspects of construction; such as foundation, superstructure and roofing. This

is true across all structural elements and quality of materials and works used during the construction. The only issue in which the overall quality is not satisfactory relates to the inadequate application of damp proof course (DPC). The main reason for a relatively lower level of technical quality is the cost escalation that occurred particularly during the later part of the project implementation (Table 3).

Table 3: Technical Quality Index (%) (One Time Audit)

District	Phase 1			
	Foundation	Super Structure	Roofing	Total
Ampara	85.71	95.32	98.86	92.02
Batticaloa	92.03	96.65	97.23	94.69
Jaffna	75.09	76.35	90.43	80.46
Galle	87.8	98.68	92.19	91.43
Hambantota	96.55	97.7	94.48	96.09
Kalutara	85.53	89.87	86.58	86.75
<b>Total</b>	<b>88.78</b>	<b>95.16</b>	<b>95.83</b>	<b>92.4</b>

An important audit observation is that even though the South Western districts have been supported with higher level of supplementary assistances and relatively improved access to building materials and labor, these factors did not improve the overall technical quality of the housing reconstruction in these districts. On the contrary, the overall quality of houses in the South Western districts, particularly in Kalutara district, has shown higher weakness. The main reason for the relatively higher quality of houses constructed in the North East, despite of the security related mobility and uncertainties and consequential price escalations, is the cultural value to construct better houses supported by a stronger house construction expertise among the beneficiaries in the North and East.

### ***Other Findings and Lessons***

The third party technical audits have concluded that 90% of the houses constructed during the housing reconstruction program have met satisfactory level of technical quality stipulated for foundation, superstructure and roofing. However, due to the methodology and data limitations, the audit could not conclude whether 90% of the completed units satisfy all the technical quality parameters simultaneously, even though a scientifically randomized sample would indicate such a conclusion. The audit methodology and application of parametric analyses for developing composite technical index and variance analysis should be strengthened in future technical audits.

The overall and final technical audit conclusions should be based on two sets of analyses. First, the technical auditor should select at random a set of houses, which will be audited periodically during the various construction stages till they are completed. The second analysis should be based on the one point audit at the conclusion of the project as part of a post evaluation. Since by the end of the project, most of the houses would have completed construction, a composite analysis of these two sets of audits should be basis of determining the overall technical housing

quality. These methodology issues should be addressed during the early stage of the project implementation process.

An important lesson learnt from the audit relates to the timing of the audit and the feedback systems established for strengthening the audit effectiveness and usefulness. Since the main objective of a concurrent audit is to provide valuable feedbacks based on field assessments related to the quality of technical supervision and compliance with technical guidelines, it is important to procure the third party technical consultants during the early phase of the construction. Besides, the project management unit should establish effective feedback systems to undertake mid course corrections of the technical suggestions provided by the technical auditor.

Preparation of a technical manual stating the minimum and acceptable technical guidelines and building specifications within the framework of financial and technical feasibilities should be the starting point for effective technical supervision. The technical guidelines stipulated in the technical manual should be basis of the audit, and it is important to agree with the project implementing and monitoring agencies on the process auditing and technical auditing criteria during the inception stage of the technical audit.

The audit has reinforced the need to disseminate information to the beneficiaries related to the minimum technical specifications stipulated by the project while processing and approving financial assistance as well as for undertaking the technical audit. Since the knowledge base of the beneficiaries is critical in a homeowner housing program, it is important to implement these aspects through effective communication and knowledge management activities.

The mismatch between the financial assistance and the minimum technical requirements stipulated under the project is a serious audit issue in the case of homeowner driven housing program. This is particularly serious in the case of vulnerable families who cannot contribute additional resources either in cash or in kind. Consistency between the technical requirements and financial viability of the construction should be established.

### **Annex 3. Economic and Financial Analysis**

Not applicable (emergency response project)

## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit
<b>Lending</b>		
<b>Supervision/ICR</b>		
Toshiaki Keicho	Senior Urban Environment Specialist (Task Team Leader)	SASDU
Christoph Pusch	Lead Specialist-Disaster Management (former Task Team Leader)	SASDU
Haris Khan	Infrastructure Specialist (ETC/ICR Lead Author)	SASDU
Sumith Pilapitiya	Lead Environmental Specialist	SASDI
Tara Vishwanath	Lead Economist	MNSEED
Naresha Duraiswamy	Senior Operations Officer	SASDU
Miriam Witana	Procurement Specialist	SARPS
Deepal Fernando	Senior Procurement Specialist	SARPS
Ambar Narayan	Senior Economist	PRMPR
Narayanan Edadan	Consultant	SASDU
Zafar Iqbal Raja	Senior Highway Engineer	SASDT
Kumari Vinodhani Navaratne	Public Health Specialist	SASHD
Amali Rajapaksa	Senior Infrastructure Specialist	SASDT
Asta Olesen	Senior Social Development Specialist	SASDI
Jiwanka B. Wickramasinghe	Senior Financial Management Specialist	SARFM
Samantha Prasada Wijesundera	Procurement Specialist	SASDU
Lilian MacArthur	Program Assistant	SASDO
Samantha L. Forusz	Senior Social Development Specialist	SASDI
Priyantha Jayasuriya Arachchi	Team Assistant	SASDO
Nadeera Rajapakse	Consultant	SASDI
Sunethra Chandikra Samakaroon	Procurement Specialist	SARPS
Jaswant Channe	Consultant	SASDU

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
<b>Lending</b>		
FY05	46	259.65
FY06		0.00
FY07		0.00
FY08		0.00
<b>Total:</b>	46	259.65
<b>Supervision/ICR</b>		
FY05	36	186.94
FY06	56	245.30
FY07	39	147.40
FY08	38	138.56
FY09	23	110.46
<b>Total:</b>	192	828.66

## **Annex 5. Beneficiary Survey Results**

Formal Beneficiary survey was not undertaken at the time of the ICR (Core ICR).

## **Annex 6. Stakeholder Workshop Report and Results**

### *Summary of Workshop Proceedings and Discussions*

A stakeholder workshop was jointly organized by the GoSL and the World Bank at Batticaloa on February 25, 2009. The workshop proceedings commenced at 0930 with an opening speech from the Government Agent (GA) for Batticaloa followed by a speech from the GA for Ampara. Both officials gave accounts of the losses/damages which occurred in their respective districts as a result of the tsunami and the reconstruction and rehabilitation progress that was achieved under various sectors under the project. The officials also gave an account of the various challenges that they faced and how they were overcome.

This was followed by a presentation by the Task Team Leader for the project, Toshiaki Keicho who gave an overview of the program, the outcomes that were achieved and the issues/challenges that were faced during the course of implementation.

The last formal presentation was given by Haris Khan, Lead ICR Author who presented the Main Lessons Learnt from the project. The presentation was followed by a question and answer session and a free flowing group discussion which lasted for about 2 hours. During this discussion, the Bank staff encouraged participants to give their point of view in relation to the project and share their experiences both in terms of policy and implementation at central and operational levels.

Following are some of the key points that came out as a result of these discussions:

- An institutional change also usually results in a policy and attitudinal change which proves detrimental to the reconstruction pace and confuses beneficiaries;
- In the absence of proper training and clear guidelines, damage assessment by different teams from various institutions may give rise to consistency issues;
- After disasters, the efforts of NGOs need to be coordinated by the Government to avoid overlaps, gaps and inconsistent implementation approaches contrary to agreed policies;
- There need to be special considerations for vulnerable groups in post disaster situations;
- Formulation of business standards and their wide dissemination leads to more effective implementation and allows for more accountability particularly in relation to payment delays to beneficiaries in the project;
- It is essential to have peace to guarantee sustainable development and reconstruction;
- Village Rehabilitation Committees and NGOs could have played a more proactive and effective role in socially mobilizing people towards timely and safe reconstruction;
- A strategic Information, Education and Communication (IEC) campaign could have assisted in clearing beneficiary confusion on policy and communicating the program benefits in order to maximize results of the reconstruction effort.

List of participants excluding Bank staff is given below:

<b>Name of participant</b>	<b>Designation</b>
V. Sambasivam	Deputy Project Director (THRP)
S. Arudchelvam	Development Officer KPDS Office
T. Selvaratnam	Engineer NEHRP
C.P. Vinayagamorthy	UN Habitat
S. Giridaran	District Secretary/KPN
S. Anverdeen	Deputy Project Director Ampara
V. Anagaratnam	District Secretary Shirukkivil
I.H.M. Ansar	District Secretary Pottuvil
C. Jagarayan	GA
Mrs. Umar Nrienjanam	ADP MNB&EID
Mrs. Latha Sritharan	DA MNB&EID
V. Varuthevam	NHDA
N.Thiruvardshelvan	Additional District Secretary
C.Pathmanathan	Project Director NEHRP
Eng. Aers.	Engineer
J. Jeyakumar	SDS
Fr.T.S.Sylvester	Director – CARITAS EHRD
M.F.M. Suhail	DU MNB&EID
U.L.A. Azeez	Additional GA - Ampara
I.M. Haniffa	District Secretary - Nintavur
S. Thyegan	IEC
M.C. Ansar	District Secretary - Kattankudy

## **Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR**

### **TERP COMPLETION REPORT BY MINISTRY OF NATION BUILDING & ESTATE DEVELOPMENT (KEY SECTIONS)**

#### **1. Housing Reconstruction**

##### Housing Policy

At the beginning of 2005, the Government enforced a buffer zone of 200 m in the North & East and 100m in South & West. The houses damaged or destroyed beyond this buffer zone come under the phase I of the Home Owner Driven Program. The buffer zone was revised in late 2005 due to scarcity of land for house construction. Following this relaxation Reconstruction and Development Agency (RADA) issued a Revised Housing Policy in April 2006, after extensive consultation with the District Secretaries and all stakeholders. The revised policy addresses most of the housing requirements of the displaced, except for the tenants and extended families. It was envisaged that the needs of tenants and extended families will be addressed in Phase III of the housing program. The core objectives of revised policy are:

- A house for a house, regardless of ownership
- All affected shelters to be considered, regardless of location
- Community participation
- Equity between beneficiaries
- All affected people to know their housing solution
- Without affecting houses already built by donors, generalize the use of owner-driven scheme supplemented by regulated donor assistance

The revised housing policy gave the authorization to the District Secretaries to assume overall responsibility for the implementation of all Tsunami Housing projects in their districts, in consultation and coordination with affected parties, donor agencies, state agencies and relevant stakeholders. RADA was given the authority to monitor the implementation at centre.

##### Institutional Arrangement

A consortium of five donors led by an International Funding Institution (IFI) was providing the financial and technical assistance to the GoSL for implementing the owner driven program. Two project offices, South West Housing Reconstruction Unit (SWHRU) and North East Housing Reconstruction Unit (NEHRU) were charged with Implementation respectively for South West and North East of the Island. At the district level they are coordinated by District Secretaries and central level By RADA. Before establishment of RADA, by a presidential directive in November 2005, Task force for Rebuilding Nation (TAFREN) was responsible for policy guidance and monitoring at central level under the direction of Ministry of Finance and Planning finally in January 2007, RADA was brought under the Ministry of Nation Building & Estate Infrastructure Development. The two commercial banks nearly Peoples Bank and the Bank of Ceylon release housing grants installments to the Tsunami beneficiaries' accounts, on the beneficiary list approved by Divisional Secretariat, which is reimbursed by the donors.

### Achievement

The table below gives the progress as at end of 2008, on the phase I of Home Owner Driven housing program funded by IDA as reported by respective district secretaries.

#### **The Home Owner Driven Housing Programme – Phase I**

S. No	Province / District	Damage Category		Total Number of Case Load	Completed Case Load		Balance Case Load
		Partly	Fully		No.	%	
<b>North</b>							
1	Mullaitivu	-	3,357	3,357	2,234	66.55	1,123
2	Jaffna	2,040	2,354	4,394	2,994	68.14	1,400
<b>East</b>							
3	Batticaloa	4,820	9,618	14,438	13,515	93.61	923
4	Ampara	6,991	3,856	10,847	10,372	95.62	475
<b>South</b>							
5	Galle	6,760	2,556	9,316	9,129	97.99	187
6	Hambantota	1,121	364	1,485	1,481	99.73	4
<b>West</b>							
7	Kalutara	3,402	920	4,322	4,279	99.01	43
<b>Total</b>		<b>25,134</b>	<b>23,025</b>	<b>48,159</b>	<b>44,004</b>		<b>4,155</b>

## **2. Road Sector**

Beginning of the Project Road is at Km 46.5 south of Kalutara and ends at 161.5 at the outskirts of Matara. The existing road has a minimum of 7.4 meter width throughout. It has shoulders of about 1 meter width. The existing pavement generally consists of a flexible bituminous surfaced one exhibiting varying degree of distress. Substantial lengths of the project road are in an advanced stage of deterioration and have been identified for reconstruction. With these exceptions, the pavement has been designed to include a bituminous profile correction course followed by the construction of strengthening and wearing course overlays to appropriately designed thickness. Shoulders vary in width and are mixture of earth and gravel with the majority suffering from erosion and general wear resulting in “drop off” at the junction between the pavement and shoulders, creating a significant safety hazard. To assure safety and better pedestrian and cycle traffic, hard shoulders will be provided throughout the length of the road.

The period of consultant contract was extended from 17<sup>th</sup> May 2007 to end of June 2007 due to construction contract agreements having to be extended by one month due to various reasons.

### Contracts for Construction Works

The road was divided into 03 packages for tendering and construction purposes:

<b>Pack/No</b>	<b>Road Section</b>	<b>Length of Km</b>	<b>Contract Price (Rs.)</b>
1	Kalutara-Ambalangoda	40 kms	776,982,329.20
2	Ambalangoda-Unawatuna	40 kms	761,231,230.21
3	Unawatuna-Matara	40 kms	905,379,968.50
<b>Total</b>			<b>2,443,593,527.91</b>

### Benefits

Improvements of proposed road have created beneficiary impacts at national, regional, district, and divisional and local levels. This road is one of the most significant national roads contributing to the various socio-economic connections between Western and Southern provinces. At present this road is the principal route for the transport of goods and people between Southern to Western provinces. The government's ambitious development program to rebuild the tsunami affected areas in the Southern Province. The impact of this road improvement had not been confined to Kalutara, Galle and Matara Districts. Its impact had spread to other districts as well because this road provides transportation up to Hambantota District in the Southern Province and to Colombo District in the Western Province. This is the initial step to provide well designed road to connect the capital City of Colombo to the East Coast in order to promote regional connectivity, amelioration of disparity of economic and other gains confined to scattered parts of the country. The road length proposed for improvement runs through several town centers in the Western and Southern provinces including, Kalutara, Beruwela, Bentota, Balapitiya, Ambalangoda, Hikkaduwa, Galle, Habaraduwa Weligama and Matara.

### **3. Health Sector**

The Health Sector component was implemented under the Ministry of Health Care and Nutrition. Under this component, several activities were to be carried out, such as; Reconstruction and refurbishment of offices of Deputy Provincial Directors Health Services (DPDHS Offices) in Kalmunai, Galle and Matara; Improving the transport facilities of the Medicals Supplies Division and Health Education Bureau; Consultancy services to supervise reconstruction/refurbishment of all donor funded health institutions; Replenishment of Drugs for Medical Supplies Division and the reimbursing of funds utilized under Health Sector Development Project on Epidemic Preparedness Activities carried out by DPDHS Offices, Family Health Bureau and Epidemic Preparedness Unit of the Ministry of Health Care and Nutrition. The Management Development and Planning Unit (MDPU) of the Ministry of Health Care and Nutrition which coordinated all health related tsunami rehabilitation activities had been entrusted to coordinate the above activities as well. There were several delays encountered entrusting to coordinate these activities to the MDPU. In addition, delays were encountered in getting concurrence and clearance from the World Bank side for awarding contracts relating to some activities. Therefore, construction of DPDHS offices in Kalmunai, Galle and Matara could not be done. Further an amount of US \$ 542,348.15 incurred under IDA funds for the importation of vehicles for improving the transport facilities of the Medical Supplies Division and Health Education Bureau and the initial payment made for the construction of DPDHS office in Kalmunai had to be refunded to the IDA on the basis of that the transactions were occurred after the closing date of the project. As a result,

Government of Sri Lanka (GoSL) had to bear such cost under GoSL funds. The funds required for construction of DPDHS offices in Kalmunai, Galle and Matara are also provided by GoSL. During the project period the following expenses were met under IDA funds.

<b>Activity</b>	<b>Expenditure SLRS</b>
1) Replenishment of Drugs for Medical Supplies Division	94,539,939.00
2) Epidemic Preparedness Activities	6,012,505.00
3) Consultancy services on reconstruction /refurbishment of all donor funded health institutions	44,841,375.00
4) Administrative expenses	272,058.00
<b>Total</b>	<b>145,665,877.00</b>

#### **4. Livelihood Support**

The GoSL decided in early January 2005 to implement an Immediate Cash Grants Programme to support the day to day life of affected people in the tsunami disaster areas. In this regard the Treasury had issued instructions to District Secretaries, Divisional Secretaries, Two Commercial banks and Regional Development Banks to implement this program on an urgent basis. In the districts of Jaffna and Kilinochchi this program was implemented through Regional Development Banks (RDBs) and required funds for these RDBs were released by the District Secretaries. The procedure adopted for this program was very effective since the affected families under this program had been identified through the Grama Niladhari and the Divisional Secretary. Accordingly; payments were made by the banks based on the certified list which was submitted by the Divisional Secretary to the banks. The widely spread State Bank Net Work was able to make the payments to the affected families without delay except in the districts of Kilinochchi and Jaffna. In the districts of Kilinochchi and Jaffna, payments were made to the affected families through the RDBs. The funds required for the RDBs were released by the respective District Secretaries. Therefore, the most of the tsunami affected families were able to satisfy their basic needs at that time where cash would have been urgently required to obtain the essential goods and services. Further, this program exceeded the initially forecasted number of affected families as well as the amount required to be paid. As a result, this program ended up with utilizing Rs.4.12 Bn approximately US \$ 41.8 Mn. Out of this amount, US\$ 34.4 Mn was financed by the IDA and balance amount of US \$ 7.4Mn was born by the GoSL.

#### **Tsunami Cash Grant Beneficiaries Summary**

	1st Tranch	2st Tranch	3st Tranch	4st Tranch
Description	No of Beneficiaries	No of Beneficiaries	No of Beneficiaries	No of Beneficiaries
<b>Livelihood Cash Grant</b>				
<b>Total</b>	<b>258,850</b>	<b>258,634</b>	<b>175,730</b>	<b>187,259</b>

## **Key Factors affecting Implementation of Owner Driven Housing Reconstruction Program**

### *Absence of clear communication strategy*

This can be categorized further as follows in the different levels:

- I) Between Donor Agency and the Implementing Agency/Executing Agency.
- II)

Between Executing Agency and District/Divisional Administration.

- III) Between District Administration and the Beneficiaries.
- IV) Between Implementing Agencies and Media.

The Progress report of Ministry of Finance & Planning and RADA for 2006 states that "The program has suffered due to the absence of a clear communication (beneficiaries' entitlement, redressal mechanism, and media relation strategy. The Policy and implementation guidelines were not adequately understood by the Divisional administration that was responsible for beneficiaries' selection. Therefore, considerable ineligible cases were included in the caseload and this was detected in the third party audit.

### *Non implementation of skill training program of construction workers and Information Communication strategy*

In the conflict affected area Housing Program NEHRP implemented effective training program and Communication strategy among the beneficiaries and this resulted in success story. However in the Tsunami Reconstruction, District technical unit which was under the District administration was expected to implement this sub component, but this is not done efficiently.

### *Absence of regular coordinating meeting at different levels at center, Provincial and District*

National Steering Committee in the latest stages did not meet and discuss the issues and therefore decisions were delayed. Participation of Provincial Council in the implementation is minimal and therefore the sector which comes under their preview not reviewed on regular basis.

### *Absence of dedicated PMU for the entire project period of 2005 – 2009*

During this period, the responsibilities were shifted from one to another, and the Institutional memory was lost. Ministry of Urban Development, TAFREN, RADA and finally transferred to Ministry of Nation Building.

### *Absence of clear Technical guidelines for beneficiaries of House construction*

This deficiency was highlighted in the third party technical audit for which project Management has no direct answers. Project Director NEHRP responded that the technical guidelines of conflict affected houses were adopted by the technical officers who supervised the TERP Houses. However, In the case of SWHRU, the guild lines in the Treasury circulars explained to the technical officers and they in turn had the training program to explain to the beneficiaries.

### *Concern over equity issues*

Home owner applicants received only Rs.250, 000 Grant where as donor driven houses valued between Rs.400, 000/= to Rs.900, 000/=. This was observed as a de-motivating factor and delayed the decision of beneficiaries to join the Home owner Driven program, especially in Batticaloa.

Shortage of Building Materials and enhanced rates for skilled labor

This is more evident in the North & East where the conflict situation recommenced and transport restriction was imposed due to security reasons. The program came to a complete halt in Mullaitivu, one of the most affected districts in the North. This problem was existent in south as well. Due to simultaneous implementation of several development and reconstruction projects in the area resulted in a shortage of building materials and skilled labour. Galle District Secretary cited this factor, as reason for not completing the houses, within the targeted time frame.

Non Materialization of Co-financing

The Poverty Stricken beneficiaries, expected the Co-financing from NGO sector, to complete the house, but this was not forthcoming from pledged NGO, due to change in the field situation.

Insufficiency of decentralized authority to Divisional Secretaries

Although theoretically, District Secretaries were the competent authority at district level, in practice, Divisional Secretaries felt that the authority given to them by Treasury circular, not sufficient to deal with the situation. This matter was high lighted in the Southern District.

Failure to Proper guidance of NGO

There was no effective guidance from center or district administration to engage the NGO for the Top –up of the core houses constructed under the Home Owner Driven Program.

Absence of definite case load

As the closing dates for finalization of grievances were extended even up to year 2007, there was confusion in finalizing the case load and funding arrangement.

Deficiency in co-ordination mechanism at District level

District co- ordination meetings to resolve the issue were not held in the district, thereby the decision making process was delayed.

Poor information dissemination strategy

It was observed that there were long time gap between the first installment (April 2005) and actual commencement of project activity in august 2005. Beneficiaries were not properly educated as to why the mobilization advance was paid. Good percentage of families used this money for consumption.

Conflict in North & East

Due to recommencing of hostilities in 2006, the closure of land route to North curtailed the progress. Further damage to reconstructed houses was also reported, especially in Vaharai DS Division in Batticaloa District.

Buffer Zone Policy

Relaxation of the Buffer Zone delayed the housing program at least by six months. However, we could acknowledge the positive aspect as beneficiaries were later allowed to returns to their old locations.

Land Titles

The Process for obtaining clear land titles has been complex and considerable time and effort has been spent in it. This was one of the main causes, for categorization ineligible cases in Jaffna, Mullaitivu, Ampara, Galle and Kalutara Districts, as reported by the Third party Beneficiary audit.

## **Annex 8. Comments of Co financiers and Other Partners/Stakeholders**

There were no co-financiers involved in phase I and II operations under the project. Phase II of the housing program does have a US \$ 25 million contribution from International Federation of Red Cross (IFRC) through a trust fund being administered by the World Bank, but this has been extended till September 30, 2009 and is outside the scope of this ICR.

## **Annex 9. List of Supporting Documents**

Aide Memoire, January 29-February 6, 2005  
Aide Memoire, February 28-March 26, 2005  
Aide Memoire, April 18-May 5, 2005  
Aide Memoire, August 16-25, 2005  
Back to Office Report, September 20-October 6, 2005  
Aide Memoire, October 4-20, 2005  
Aide Memoire, March 27-April 6, 2006  
Aide Memoire, October 14-13, 2006  
Back to Office Report, December 2006  
Aide Memoire, June 13-July 2, 2007  
Aide Memoire, May 8 - June 4, 2008  
Aide Memoire, December 11 - 20, 2008

Implementation Status & Results Report (ISR), June 13, 2005  
Implementation Status & Results Report (ISR), December 22, 2005  
Implementation Status & Results Report (ISR), June 30, 2006  
Implementation Status & Results Report (ISR), December 23, 2006  
Implementation Status & Results Report (ISR), June 28, 2007  
Implementation Status & Results Report (ISR), December 20, 2007  
Implementation Status & Results Report (ISR), June 30, 2008

Final Report of Independent Procurement Review for the Sri Lanka Tsunami Road Contracts

Government of Sri Lanka, 'Continuous Social Impact Assessment (CSIA)'. Annual Project Report 2007 prepared by Green Tech Consultants September 2007.

Government of Sri Lanka, 'Post Tsunami Reconstruction & Progress 2005'. Joint Report by GoSL and Partners December 2005.

Government of Sri Lanka., '10 year development framework, Mahinda Chintana (MC)'. Policy document of GoSL.

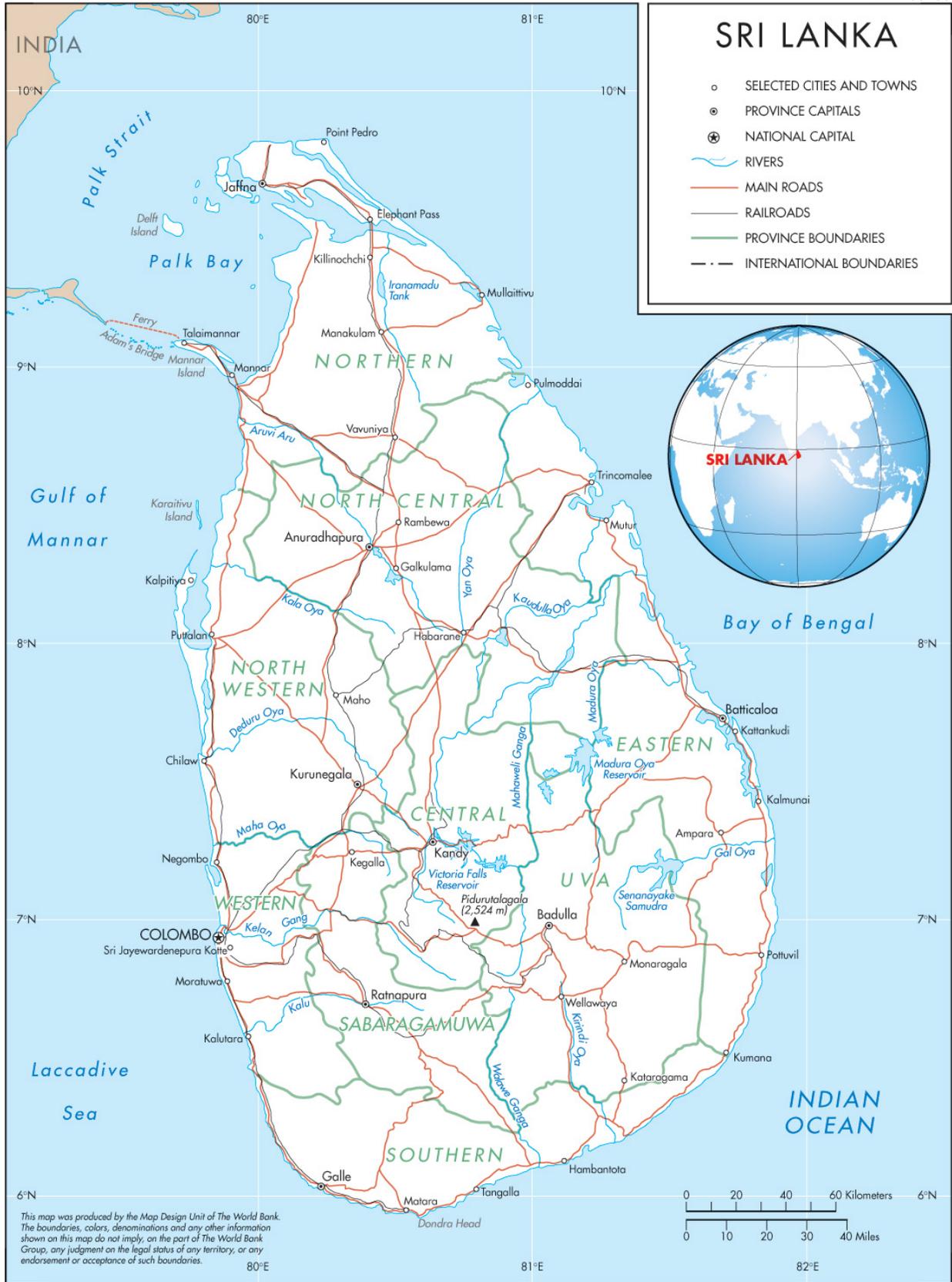
Government of Sri Lanka., 'National Poverty Reduction Strategy (PRS)'. Policy document of GoSL.

World Bank. 2005. Technical Annex for a Proposed Grant of SDR 20.1 Million and Credit of SDR 30.2 Million to the Democratic Socialist Republic of Sri Lanka for a Tsunami Emergency Recovery Program – Phase II. Report No. T – 7650. The World Bank, Washington, D.C.

World Bank February 1, 2005 Memo from the President to the Board of Directors seeking approval for amendments to seven credits and three grants for undertaking Tsunami Emergency Recovery Program, Phase – I.

World Bank 2005, Agreement Amending Selected Legal Agreements (Part Z Amendment) for Tsunami Emergency Recovery Program, Phase – I between IDA and Democratic Socialist Republic of Sri Lanka.

World Bank 2005, Development Financing Agreement for Tsunami Emergency Recovery Program, Phase – I between IDA and Democratic Socialist Republic of Sri Lanka.



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