

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB2595

Project Name	Sri Lanka: Puttalam Housing Project
Region	SOUTH ASIA
Sector	Housing Reconstruction (47%), Environmental Mitigation, Roads and Water (47%), Sub-national Government Administration and Technical Support (6%).
Project ID	P100390
Borrower(s)	GOVERNMENT OF SRI LANKA
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1. Country and Sector Background

The twenty five year civil conflict in Sri Lanka led to a loss of life, the displacement of persons belonging to all ethnic groups and destruction to infrastructure. Approximately 2.5 million persons lived in areas of direct military activity. Up to 700,000 left the country while 613,220 individuals (160,754 families) remained internally displaced as at June, 2002¹. 172,000 internally displaced persons (IDPs) lived in refugee camps² that year. A cease-fire agreement was signed in February, 2002.

More than 407,000 IDPs returned to their places of origin since 2002. However, 68,000 individuals (18,000 families) remained in refugee camps in Sri Lanka in December 2005. The recent escalation of violence since January, 2006 led to renewed displacement with approximately 128,000 new IDPs in Sri Lanka. The District of Puttalam in the north west of Sri Lanka housed most of the remaining earlier IDPs. 63,145 persons (or 15,480 families) lived in 141 refugee camps in Puttalam in 2006. 41% of the Puttalam IDPs are children under the age of 18 who have known no other home than Puttalam. 96% of the IDPs there (14,928 families) indicated that they intended to settle down in Puttalam and not return to the North

¹ Figure excludes those who had been displaced in the 1980s and 1990s and who had since returned to their homes.

² The word used in Sri Lanka is welfare center but for purposes of this document, the more recognizable term refugee camp would be used.

on security considerations³. 74.2% had in fact bought land in Puttalam demonstrating an eagerness to remain there.

The IDPs in Puttalam were displaced in 1990. 87.7% live in temporary shelter or in partly completed houses⁴. 6,501 families, who are largely the married children of the original displaced in 1990, have no house of their own. 5,653 families reside in temporary structures. 1,093 families live in permanent houses⁵. 12,154 new houses and 2,232 part constructions are required to address the housing needs of the Puttalam IDPs. The refugee camps frequently lack permanent housing, safe drinking water, sanitation, internal roads, health care and education. These are needed to ensure a durable solution to their predicament 16 years after displacement. Of the 100 refugee camps surveyed under the Social Assessment, 86 camps had listed housing as their first priority while 13 listed it as the second highest priority.

2. Objectives

The development objectives of the proposed Puttalam Housing Project are to: (i) meet the housing needs of the conflict-affected population in Puttalam District, with the caveat that IDPs in Puttalam would be integrated into their current location of choice; and (ii) provide drinking water, sanitation for IDPs and selected non-IDPs in close proximity of the camps, and (iii) mitigate environmental problems including those caused by poor internal roads and drainage systems. IDA funds are proposed for the construction of about 5,653 new houses and the completion of 2,232 half-completed/semi-permanent houses in 141 refugee camps.

3. Rationale for Bank Involvement

The proposed Puttalam Housing Project is in line with the Government's development strategy to rehabilitate the conflict-affected areas. The IDA Country Assistance Strategy (CAS) Progress Report of January 6, 2006 was designed to support implementation of the country's Poverty Reduction Strategy (PRS) and was organized around three central themes: *Peace, Growth, and Equity*. The CAS emphasized the importance of a framework for sustainable poverty reduction and growth, one which ensures that the most vulnerable poor groups; i.e., the displaced and the conflict-affected were reached.

The core scenario of the CAS include a public expenditure pattern that continues to give priority to social sector and infrastructure sector expenditures, favor poorer regions, and provide for the necessary social and economic infrastructure. There is also strong support for lending for operations that help recovery in the war-affected areas and improve the livelihood and living condition of conflict-affected and internally displaced people.

4. Description

The proposed Puttalam Housing Project would have the following components:

³ Most of the Puttalam IDPs are Muslim and were expelled by the LTTE from the North East in October 1990. Depending on their place of origin, they were compelled to leave their homes within 2 hours, 48 hours or one week. Their lack of desire to return compares starkly with the overall numbers of returnees to the North East until the recent resumption of hostilities.

⁴ 62.9% of IDP families live in temporary thatched huts 16 years after displacement. 24.8% live in partially completed houses.

⁵ Permanent houses (with completed structure and finishing), semi-permanent houses (partly constructed but need home improvements), and temporary houses (thatched houses with poor living condition).

a. *Housing Support Cash Grant* - The Project would provide housing support cash grants to eligible IDPs to construct permanent houses or upgrade partially built houses in 141 refugee camps. The cash grants would be of two categories: (a) Rs.250,000 for the construction of a permanent house, and (b) Rs.100,000 to upgrade a partially-completed house to the level of a completed 'core house'. The IDA credit would provide financing for the construction of 7,885 houses, which would cost about US\$ 16.0 million. Criteria to identify refugee camps for participation in the project have already been developed and used during the project appraisal to rank the refugee camps based on social criteria. Then, environmental criteria were superimposed to sequence the 4 phases of the construction.

b. *Environmental Mitigation / Internal Roads* – The Government carried out a preliminary Environmental Assessment (EA) of 111 out of 141 camps in order to identify critical environmental risks. The assessment report considered poor drainage/flooding as one of the main criteria that call for intervention and priority environmental mitigation measures. Flooding can be caused by poor condition of roads and lack of proper drainage system. The report also concluded that instability due to construction on sand dunes, lack of solid waste disposal facilities and services, inadequate sanitation facilities and water pollution due to excessive use of agricultural chemicals were among the main causes of environmental problems. The proposed Puttalam Housing Project has allocated approximately US\$ 3.4 million for mitigation of priority environmental issues. Road works will be limited to ensuring that there will be minimal water stagnation on road surfaces and construction of drainage for collection of runoff in camps which flooding is reported to be of concerns of its residence.

c. *Water and Sanitation* - The proposed credit would improve IDPs' access to safe drinking water and sanitation, and improve the environment. It would be important to ensure the supply of safe drinking water for the IDPs and selected non-IDPs. It is estimated that an amount of US\$ 12.6 million would be required to provide water and sanitation to a target of 15,400 IDP and over 4,000 non-IDP beneficiaries. The Government has undertaken a concept feasibility study for the provision of clean drinking water to be funded under the PPF. Site specific detailed engineering studies will soon commence to provide the road map for the implementation.

d. *Technical Support for Implementation* - The complexity of the project, the social and environmental issues, and quality and accessibility of water and sanitation in the refugee camps in Puttalam require detailed analysis of the situation and close project monitoring. Consequently, an area-based infrastructure plan would be formulated through a community consultation process. The project would provide US\$ 0.81 million for technical support activities during the project preparation and implementation.

e. *Administration Support for Implementation* - The Ministry of Resettlement would have the overall responsibility for project implementation. It would work closely with relevant institutions such as the National Water Supply and Drainage Board, and the North West Provincial Road Development Authority. The proposed Credit would provide US\$ 1.4 million, including the including the operating costs, to support the implementation activities.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	2.2
INTERNATIONAL DEVELOPMENT ASSOCIATION	32
Total	34.2

6. Implementation

The Ministry of Resettlement would have the overall responsibility for project implementation. It would work closely with relevant institutions such as the National Water Supply and Drainage Board and the North West Provincial Road Development Authority for the management and implementation of the Water and Sanitation and Roads, respectively.

To ensure timely implementation, a Steering Committee would be set up with representatives of relevant line agencies to monitor the overall program, provide guidance, and address policy issues. It would work closely with the National Steering Committee established under the North East Housing Reconstruction Program to benefit from the experience of NEHRP and would ensure that IDPs who receive the housing grant in Puttalam would not be eligible for another housing grant in their original location.

A Puttalam Project Unit (PPU), located at the Puttalam District Secretariat, would supervise the day to day implementation of the project be it housing or ancillary infrastructure. A Grievance Redressal Committee would be formed under the District Secretary, Puttalam to review and resolve possible complaints from the refugee camps and non-IDPs who feel that they were overlooked in the process of selection.

7. Sustainability

The Puttalam IDPs were displaced from the North in October 1990. They have largely lived in temporary shelter in under-served refugee camps. The IDPs lacked access to safe drinking water and sanitation facilities. Many refugee camps were situated in environmentally fragile locations. Relations with the surrounding non-IDP community have not always been smooth due to competition over scarce resources in an arid region. The PHP is an effort to kick in international assistance to provide permanent houses for those lacking it, and drinking water, sanitation and internal roads to upgrade the identified refugee camps into sustainable habitat. It would provide such ancillary infrastructure to needy adjoining non-IDP villages to help integrate IDPs and non-IDPs. Trained labor, regularized land title and strengthened social capital under the PHP would reinforce its long term sustainability. Needless to add, the long term sustainability of any IDP housing program would be strengthened with the success of the peace process and access to follow-up financing arrangements.

8. Lessons Learned from Past Operations in the Country/Sector

The proposed Puttalam Housing Project can immensely benefit from the implementation experience of the US\$ 75 million IDA funded NEHRP. Phase 1 of NEHRP completed satisfactorily in February 2006 with the reconstruction of 4,900 houses in 8 districts. The identification of 13,000 beneficiaries for Phase II of NEHRP is complete and the civil works under Phase 2 have commenced. The capacity building, construction issues, and support activities (such as land issues, grievance redressal, construction material management, and skills development in key construction trades) addressed and supported under the NEHRP can provide valuable lessons for the Puttalam project.

In addition, a feasibility study is being carried out on the housing finance market in the North East with the objective of developing such a market in the conflict-affected regions. As the NEHRP finance the reconstruct of only less than 20 percent of the damaged houses, creating a housing finance market for the remaining IDPs in important to ensure sustainability of the housing market in the North East. There will be lessons learned from this study and possible housing market development experience under the NEHRP.

9. Safeguard Policies (including public consultation)

The proposed Puttalam Project includes improvement of Water, Sanitation, and Environment for the IDPs and selected non-IDPs. The Environmental Assessment which was prepared for 111 refugee camps highlighted key environmental risks. Critical environmental risks include: (a) lack of access to safe drinking water; (b) inappropriate method of excreta disposal in areas with high ground water table; and (c) water stagnation and flooding of settlements. Other environmental issues which need to be addressed through site-specific Environment Management Plans (EMPs) include (i) haphazard disposal of garbage, (ii) destruction of mangroves, (iii) sand mining within and near settlements, and (iv) exposure to pollution from waste channels of prawn farms.

At present, IDPs face severe hardship in obtaining potable water for which they have to either travel far or await bowser supply. People entirely depend on the groundwater reserve to meet their water needs in the Kalpitiya peninsula. Groundwater is available in both coastal sand aquifers as well as in the underlying Miocene limestone. However, contamination of the water source due to agricultural run-off has caused a deterioration of quality. Another significant source of groundwater contamination is the inappropriate design of excreta disposal arrangements for areas with a high water table, improper siting of toilets and inadequate maintenance practices. Cross contamination takes place since most of the camps are densely populated and the individual plots lack adequate space to allow for the minimum recommended distance between the toilet and the well. This poses a health risk.

One of the important components of this proposed Puttalam project is to provide water and sanitation to a target of 15,400 IDP and approximately 4,000 non-IDP beneficiaries, in collaboration with the Government. Therefore, the criteria for the selection of IDP camps and non-IDP villages will include environmental and social sustainability. In terms of environmental sustainability, issues of the physical environment, water and sanitation would be factored in when selecting the IDP and non-IDP settlements.

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