TECHNICAL ANNEX

FOR A

PROPOSED IDA GRANT IN THE AMOUNT OF SDR 20.1 MILLION (USD 30 MILLION EQUIVALENT)

AND A

PROPOSED IDA CREDIT IN THE AMOUNT OF SDR 30.2 MILLION (USD 45 MILLION EQUIVALENT)

TO THE

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FOR A

TSUNAMI EMERGENCY RECOVERY PROGRAM – PHASE II

February 14, 2005

Energy and Infrastructure Unit
South Asia Regional Office

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
CURRENCY EQUIVALENCES
(Exchange Rate Effective January 31, 2005)

Currency Unit = Sri Lankan Rupees (LKR)
LKR 98.95 = US$1

FISCAL YEAR: January 1 – December 31

ABBREVIATIONS AND ACRONYMS
ADB Asian Development Bank
AG Auditor General
CAS Country Assistance Strategy
CDD Community Driven Development
CEA Central Environmental Authority
CEB Ceylon Electricity Board
CFAA Country Financial Accountability Assessment
CIGAS Computerized Integrated Government Accounting System
CNO Center for National Operations
CSIA Continuous Social Impact Assessment
DCS Department of Census and Statistics
DDC(s) District Coordinating Committee(s)
DFA Development Financing Agreement
EA(s) Environmental Assessment(s)
ECOP Environmental Code of Practice
EIA(s) Environmental Impact Assessment(s)
EMP Environmental Management Plan
ERC Emergency Recovery Credit
ESSAF Environmental and Social Screening and Assessment Framework
FM Financial Management
FMR(s) Financial Monitoring Report(s)
FR Financial Regulations
GDP Gross Domestic Product
GEP II Second General Education Project
GGTP Guidelines for Government Tendering Procedure
GIS Global Information System
GN Grama Niladhari
GOSL Government of Sri Lanka
HSDP Health Sector Development Program
IBRD International Bank for Reconstruction and Development
ICR(s) Implementation Completion Report(s)
ICTAD Institute for Construction Training and Development
IDA International Development Association
IDP(s) Internally Displaced Person(s)
IEEs Initial Environmental Examination(s)
ILO International Labor Organization
IPDP Indigenous Peoples Development Plan
IT Information Technology
JBIC Japan Bank for International Cooperation
JICA Japan International Cooperation Agency
LECO Lanka Electricity Company Ltd.
LTTE Liberation Tigers of Tamil Eelam
MFI(s) Micro-Finance Institution(s)
MIS Management Information System
MOE Ministry of Education
MOF Ministry of Finance
MOH Ministry of Health
NEERP North East Emergency Reconstruction Program
NEHRP North East Housing Reconstruction Program
NEIAP North East Irrigated Agriculture Project
NEPC North East Provincial Council
NGO(s) Non-Governmental Organization(s)
NIPA National Procurement Agency
OP Operational Policy
PAA Project Approving Agency
PMU Program Management Unit
PRS Poverty Reduction Strategy
PSR(s) Project Supervision Report(s)
RAP Resettlement Action Plan
RFP(s) Request for Proposal(s)
RIRP Rapid Income Recovery Program
SAF Safeguards Focal Point
SME(s) Small and Medium Enterprise(s)
SPC Southern Provincial Council
TAFREN The Authority for Rebuilding the Nation
TETD Teacher Education and Teacher Deployment (Project)
UN United Nations
UNDP United Nations Development Program
UNFA United Nations Population Fund
UNHCR United Nations High Commissioner for Refugees
UNICEF United Nations Children’s Fund
US United States
VRC(s) Village Reconstruction Committee(s)
WFP World Food Program

This emergency project was prepared in parallel with a Preliminary Damage and Needs Assessment which was carried out jointly with the Asian Development Bank (ADB) and Japan Bank for International Cooperation (JBIC).
FOR OFFICIAL USE ONLY

TECHNICAL ANNEX FOR THE PROPOSED
TSUNAMI EMERGENCY RECOVERY PROGRAM – PHASE II
TO THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

TABLE OF CONTENTS

I. Background ......................................................................................................................... 1
II. IDA Response Strategy ....................................................................................................... 2
III. Project Objectives ............................................................................................................... 3
IV. Project Description and Components .................................................................................. 3
V. Safeguard and Fiduciary Policies ........................................................................................ 9

Appendices:

Appendix I: Housing ............................................................................................................... 11
Appendix II: Roads, Water and Other Infrastructure ................................................................. 19
Appendix III: Livelihoods .......................................................................................................... 23
Appendix IV: Implementation Capacity Building ..................................................................... 31
Appendix V: Health .................................................................................................................. 34
Appendix VI: Education ............................................................................................................. 38
Appendix VII: Environmental and Social Screening Assessment Framework ....................... 41
Appendix VIII: Procurement ................................................................................................... 49
Appendix IX: Financial Management and Disbursements ....................................................... 55
Appendix X: Statement of Loans and Credits ......................................................................... 60
Appendix XI: Sri Lanka at a Glance ......................................................................................... 61

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
TECHNICAL ANNEX FOR THE PROPOSED
TSUNAMI EMERGENCY RECOVERY PROGRAM – PHASE II
TO THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

PART I – BACKGROUND

1. **Overview.** At 0059 GMT, a massive earthquake registering 9.0 on the Richter scale struck off the coast of Sumatra, Indonesia. This was followed by a series of more than 67 aftershocks, the largest of which occurred approximately three hours after the first earthquake and registered 7.1 on the Richter scale. The earthquake triggered a series of tsunami waves that radiated through the Bay of Bengal at a rate of more than 500 kilometers per hour, directly impacting coastal areas of Bangladesh, India, Indonesia, Kenya, Malaysia, the Maldives, Mauritius, Myanmar, Reunion, Seychelles, Somalia, Sri Lanka, Tanzania, and Thailand.

2. Sri Lanka has been extremely hard-hit in terms of loss of life, infrastructure, and economic assets. The 2004 tsunami is widely acknowledged as the largest, most devastating natural catastrophe in the history of the country. Two hours after the first earthquake occurred, the tsunami waves struck an extremely long (more than 1,000 km, or two-thirds of the coastline) coastal area of Sri Lanka across thirteen districts, including Jaffna in the north, the eastern and southern coast, and parts of the west coast as far north as Chilaw. The waves penetrated inland areas up to 500 meters in many places, leaving behind few intact structures and killing or injuring tens of thousands of people. Coastal infrastructure systems – including roads, railways, power, communications, water supply and sanitation facilities, and fishing ports – have all been severely damaged.

3. The tsunami resulted in the loss of an estimated US$1 billion (4.5 percent of GDP) worth of assets and US$330 million in potential output. Destruction of private assets in the affected districts was substantial (about US$700 million). The tsunami is expected to slowdown GDP growth in 2005 by up to 1 percentage point (from 6 to 5 percent). The relatively limited impact is due to the fact that the most affected sectors of the economy – fishing, hotels and restaurants – together contribute only 3 percent of GDP. While the impact of the tsunami on the nation’s output and national economy is not as considerable as the extent of asset losses, the disaster has affected a large portion of the population. Available poverty data for districts in the Southern province affected by the tsunami also show that between one-quarter to one-third of the population in these districts live below the poverty line. Although data on incidence of poverty in the North and East are not available, it is widely thought to be higher than the national average. The tsunami has increased the vulnerability of this portion of the population.

4. As of January 25, official figures indicated more than 31,000 dead in Sri Lanka and approximately 5,600 missing. Displaced persons are estimated at about 420,000, while the affected population is estimated to be around one million, out of a total population of approximately 19 million people. The Government estimates the number of damaged houses at more than 110,000, of which more than 70,000 have been completely destroyed. About 169,000 people are still living in welfare camps, while approximately 251,000 people have moved in with friends or relatives. However, this number continues to decrease over time as families return to their homes to begin rebuilding.

---

1 These figures will continue to change as bodies are identified. They will also depend upon the public health situation during relief efforts.
5. The tsunami affected a broad range of economic income and ethnic groups, both rich and poor. More women and children died as many men were away from their homes at the time. As is typically the case with natural disasters, the poorest families—especially those who lost their livelihoods as fishermen or from cottage industries and the socially marginalized such as lone elderly or single parents—will need external support to recover. They are now struggling to rebuild their lives after losing not only family members and loved ones, but also their homes, assets, and livelihoods. The high death toll, the speed at which the tsunami hit the island, and the sheer magnitude of devastation in coastal areas have all considerably traumatized those who were affected.

6. It is important to note that the North and East of the country—still suffering from the effects of twenty years of civil war—were especially hard-hit by the tsunami. A cease-fire has been in effect for the past two and a half years, during which damaged infrastructure, homes, businesses, health facilities, and schools were in the process of being rebuilt. Many of these assets that withstood the war are now destroyed or damaged. Many people remained displaced by war when the tsunami struck, and now must perpetuate their stays in temporary camps and have few prospects for recovery without external assistance.

7. The pre-disaster situation in the North and East gives some perspective to the additional burden the tsunami has placed on the population. During the conflict period, approximately 65,000 people were killed and over 800,000 people displaced. Landmines are still prevalent in the region. The school drop out rate is four times higher than the national average, and even before the tsunami struck, the unemployment rate was estimated to be double the national average. At the beginning of 2002, over 40,000 families were still living in relief camps and more than 350,000 houses needed to be reconstructed. Given these circumstances, the recovery needs of the North and East require particular focus.

PART II – IDA RESPONSE STRATEGY

8. At the request of the Government of Sri Lanka (GOSL), a joint mission comprising staff from the Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC), and the International Development Agency (IDA) of the World Bank initiated a joint assessment of the damage and needs resulting from the December 26, 2004 tsunami. The objectives of this joint mission—which took place from January 10-28, 2005—were to conduct an initial damage and needs assessment, in cooperation among the three agencies and in coordination with the Government at the national, provincial, district and local levels, civil society, the Liberation Tigers of Tamil Eelam (LTTE), and other stakeholders. In parallel, the team was also asked to assess the preliminary needs of the affected communities in terms of the medium to longer term reconstruction and recovery phases following the relief period. This coastal areas damage and needs assessment should serve as a platform for all development partners interested in contributing to the rehabilitation effort. The assessment process was also coordinated with the agencies of the United Nations (UN) and bi-lateral donor organizations. The assessment was jointly released by the three agencies on February 2, 2005 and subsequently distributed to the Bank’s Executive Directors (IDA/SecM2005-0040, dated February 7, 2005). A second phase of the needs assessment that involves extensive consultation among development partners and the Government to prepare district level implementation strategies for the reconstruction effort will be completed by the end of April 2005.

9. Simultaneously, Bank staff prepared a “restructuring operation” – Tsunami Emergency Recovery Program – Phase I – through which seven credits and three grants were amended to make available an
immediate US$75 million (SDR 48.9 million) for emergency tsunami-related recovery and reconstruction efforts (IDA/R2005-0012, dated February 2, 2005).2

10. The current operation constitutes IDA’s “Phase II” support to the recovery and reconstruction effort – i.e., making available US$75 million (of which US$30 million would be a grant) through an Emergency Credit/Grant to support emergency recovery efforts over a two to three year period. The Government of Sri Lanka’s program of tsunami-related reconstruction is by definition multi-sectoral and includes housing, roads, water supply and other infrastructure, livelihood support, and implementation capacity building. As detailed below, IDA would provide support to activities in these areas, in addition to making funds available for any financing gaps identified in other sectors, including health and education.

11. The final phase of IDA support – Phase III – will be considered in the context of the updated national Poverty Reduction Strategy (PRS) and Country Assistance Strategy (CAS). In the context of the CAS Update – initially envisioned for spring 2005, but postponed due to the emergency – and depending on the refined needs and financing plan existing at that time, there would likely be a tsunami-related reconstruction and risk mitigation (see below) element incorporated into the IDA program.

12. Mitigation and Preparedness for Future Natural Hazards. As indicated, this Phase II operation focuses on Sri Lanka’s urgent recovery needs after the tsunami. By building local capacities through its decentralized implementation strategy and technical assistance components, and by improving the technical standards for housing, education and health facilities and infrastructure, it will improve the preparedness and reduce the vulnerability of coastal communities in Sri Lanka to future natural disasters, such as cyclones or tsunamis. GOSL is strongly committed to improving its natural hazards risk mitigation systems at the national level, and there is considerable interest in the donor community in supporting this effort, as well as regional early warning systems. IDA has expressed its willingness to continue supporting GOSL in this critical area, focusing on the “last mile” capacity building at the community and district levels. Specific gaps not covered by other donors will be identified during the upcoming CAS Update process (see above), and included in any Phase III intervention.

PART III – PROJECT OBJECTIVES

13. 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.

PART IV – PROJECT DESCRIPTION AND COMPONENTS

14. As indicated, IDA carried out a portfolio restructuring to release up to US$50 million and provisionally set aside US$25 million to provide immediate financing for urgent tsunami-related reconstruction efforts. This proposed follow-up operation – Tsunami Emergency Recovery Operation –
Phase II – would continue the financing initiated under the Phase I restructuring. It is anticipated that other donors would be identified in the near future to support some of these priority needs. If other donors were to provide grant funds to finance any activity earmarked for support by IDA credits, IDA resources would not be used.

15. The following paragraphs describe several areas of support that are in urgent need of financing. More details on each of these areas may be found in the Appendices to this report. The amounts identified at this stage are notional, and the financing available for different sectors is changing constantly. IDA, along with ADB, stands as an agency ready to be flexible about the areas of need that it finances, since the primary concern is that the overall needs should be met on the most favorable terms possible. For example, with the generous funding for UNICEF and UNFPA through the UN’s “flash appeal”, it may not be necessary to use IDA funds for education or health. At the same time, there are significant gaps in available funding for livelihoods and infrastructure. Therefore, the notional allocations will be reviewed regularly with the Government and adapted to the changing financing pattern. Thus, while notional allocations have been made in the paragraphs that follow, IDA resources would be available to address any of the needs described in the damage and needs assessment.

16. The Tsunami Emergency Recovery Program would be premised on the need to restore livelihoods through income transfers to the most affected households, either in the form of cash transfer, a “cash-for-works” program, support for micro-enterprises, or housing support cash grants. Proposed assistance to the road and water sectors would complement this and support the resumption of livelihoods in the most remote and poorest tsunami-affected districts. Furthermore, the revival of the public health and education systems would complement the main project objectives of improved livelihoods and poverty alleviation in tsunami-affected areas. The likely sub-components for these activities are discussed in more detail below.

**Housing (US$40 million)**

17. This component will have three sub-components: (i) housing reconstruction grant assistance (US$36.5 million); (ii) capacity building, including training of construction workers, training of homeowners for auto-reconstruction, the design and implementation of a communications initiative, establishment of a grievance redressal mechanism at the local, divisional and district levels and land management issues; and continuous social and environmental monitoring (US$1.5 million); and (iii) technical assistance (US$2.0 million).

18. The first sub-component is intended to finance the repair or reconstruction of the tsunami-damaged houses of the poorest households over a two to three year period. The funds will be apportioned across the nine tsunami-affected districts and relevant tsunami-affected divisions in keeping with the share of damaged houses. A large percentage of these units fall in a few divisions and the annual targeting will be based on capacity to implement the program. To reduce vulnerability to future disasters (such as cyclones or tsunamis), the Government is considering establishing a coastal reservation zone that includes plans for a 100 meter setback in the South and West, and a 200 meter setback in the North and East. However, implementing such a setback would require extensive prior consultation with the communities affected, and a complex process to acquire and allocate serviced land and ensure service delivery. IDA funds would be used, first, to rebuild housing on site. IDA social and environmental safeguards would apply for any housing reconstruction that involves resettlement.

19. The second sub-component will focus on capacity building and will support the establishment of an equitable and transparent grievance redressal mechanism at the divisional, district and program levels. Issues related to beneficiary identification and to the loss of land documents and property titles will need to be addressed at the district level. An engineering agency or technical firm will be hired to ensure
quality control in civil works. IDA funds will be used to train masons and carpenters on low-cost housing technologies to meet the increased demand of construction labor given the upsurge of construction activity anticipated in the next two years. A continuous information dissemination campaign at the district level will ensure transparency and accountability in implementation. This is intended in part to inform communities on material use, price variation, and alternate construction methods and technical options. In addition, continuous social and environmental monitoring will be outsourced to consultants to ensure the appropriate handling of social issues and environmental safeguards in the implementation of the project.

20. The third sub-component of technical assistance will consist of: (i) technical quality control and auditing; (ii) the undertaking of a housing damage assessment and social verification survey by the District Task Forces; (iii) facilitation of the building materials market to allow for rapid purchase of materials by community organizations and village rehabilitation committees; and (iv) support for partner organizations that will assist homeowners during the reconstruction process, if requested to do so.

21. The district units of the recently approved IDA-financed North East Housing Reconstruction Program (NEHRP) will implement the program in the North and East. District units will be set up in the South and West to implement the program there.

22. **Land Management.** Rights to the use of land are essential for any program of housing reconstruction. Land-related activities will therefore be scheduled as a matter of high priority among other urgent emergency measures. Land tenure rights must be secured on the ground and in the books, as early as technically feasible by re-establishing physical and legal evidence. It is a public duty to safeguard the rights of displaced people, with a particular attention to the most vulnerable: widows, orphans and internally displaced persons (IDPs). In addition, land-based activities, that are primarily for relocation and settlement of victims, will be initiated under a clear policy framework to establish common principles of compensation that satisfy the objectives of equity and regional and ethnic balances.

**Roads, Water Supply and Other Infrastructure (US$15 million)**

23. This component will finance the repair/reconstruction of priority infrastructure systems in tsunami-affected areas. These include roads, water supply and sanitation, debris removal, and electricity connections to houses, if needed. It will finance consultancy services associated with infrastructure reconstruction, such as detailed needs assessments, feasibility studies, environmental and social analyses, preparation of engineering designs and bid documents, construction supervision and monitoring. A limited amount of office and communication equipment will be financed to support project implementation.

24. In the roads sector, IDA will support the financing of a feasibility study, the packaging of roads, and the preparation of bid documents for the project proposals currently being developed. The Matara-Batticaloa section of the A-2 highway – i.e, the road between Colombo, Amparai and Batticaloa traversing the southern and south eastern coastline – would be subject to a feasibility study. The Government will assess the short and long term constraints in raw materials, machinery, capacity of contractors and address these through necessary policy changes.

25. This component will be implemented either through existing local administrative arrangements (district offices, local governments, etc.), or through private or community contracting. However, implementation arrangements for this component should be flexible, depending on the capacity of regional and local authorities and the types of infrastructure targeted for reconstruction. Particularly in the North and East, it is essential to devise an institutional mechanism acceptable to all parties concerned.
Livelihood Support (US$15 million)

26. Addressing the objective of rebuilding livelihoods and reviving the local economies of affected areas necessitates a multi-pronged approach that rebuilds assets to generate income and employment and at the same time protects the most vulnerable members of the community.

27. The first sub-component – namely, pure cash transfers for a duration of four months – will focus on the tsunami-affected families who have lost their capacity to earn a livelihood. In the first instance, this will consist of all who are displaced. This is easily verifiable and a powerful indicator of vulnerability. The government will apply greater selectivity in the four month period and the number of beneficiaries will be reduced to focus on the most needy. It is also expected that the especially vulnerable among the affected families may need extended support in the form of continued cash assistance for a longer period. Eventually, however, such beneficiaries will need to be integrated into the regular public sector social welfare programs.

28. The GOSL has set the grant amount at a maximum of LKR 5,000 per month per household (LKR 2,500 per single-headed household). This amount is actually higher than the food (or extreme) poverty line, which in Sri Lanka is about LKR 1,083 per person, per month.

29. The second sub-component – namely, public works to build community infrastructure – is intended to provide income to those who are able and willing to work, but are unable to find employment in the affected areas. The design will ensure that the selected public works are labor-intensive, based on the needs of specific communities, and produce infrastructure that is owned and managed by communities or the Government. This will entail a “cash-for-work” program consisting of largely unskilled work for activities such as debris removal, repair of community water supply and sanitation schemes, repair or construction of public buildings (e.g., community centers and schools), and minor road repairs.

30. For public works to benefit the intended target group, the most important principle is for such a program to be “self-targeted”, where wages are not set above the prevailing market wage for unskilled labor to ensure that those who are able to work and have lost their livelihoods among the affected communities “self-select” into the program. Sri Lanka currently does not have a public works program that can be adapted to address the post-tsunami situation. For this reason, a smaller scale program is proposed at the outset with scope for expansion as necessary. A complete implementation plan will be drawn up based on a model of community-based management, which is feasible due to the extensive presence of community organizations in the country. Assistance will be provided to communities in the identification of public works, if needed.

31. Given the urgency of the situation and the need for swift disbursal of cash grants to affected families, implementation arrangements for both the cash grants and public works must be flexible. This is particularly important since the impact of the tsunami may have resulted in fragmentation of communities and social networks, which in turn may make it difficult to implement community-based arrangements from the very beginning.

---

3 As in other cases involving cash payments, a partial waiver of Operational Policy (OP) 8.50 was obtained in connection with this sub-component. This partial waiver was required because some of these payments may be used to purchase items that might be construed as humanitarian assistance under OP 8.50 on Emergency Recovery Assistance.

4 “Displaced” includes all those in welfare camps, living with friends or relatives, or in temporary shelters.
32. The third sub-component – micro-finance – will complement initiatives by other donors, Government and the chambers of commerce by allocating resources to micro-enterprises (self-employed and small, family businesses) in the tsunami-affected areas, helping them resume their business operations interrupted by the disaster. The program could also include training and business services to selected borrowers, so as to maximize their business success. It is foreseen that the component will provide grants and/or loans to different types of institutions providing financing to micro-enterprises, including cooperative (thrift and savings) societies. To improve long term credit capacity of these institutions, the resources collected by these institutions as repayments will be used to expand their revolving credit funds.

33. It is envisaged that grants would be provided to micro-finance institutions (MFIs), which would on-lend the resources to end-borrowers, including fishermen. It is proposed that loans will have an overall upper limit of LKR 100,000 to ensure targeting of micro-enterprises without resources being spent on large loans. Apart from that, the participating institutions will, based on their own client assessments and criteria, select end-borrowers, and determine loan amounts and their terms and conditions. This will not only simplify program administration, but will also enable a rapid injection of badly needed financial resources. Participating institutions will, in turn, be encouraged to consider expanding their membership and areas of services, while adhering to sound long term planning and careful selecting of new members and areas to instill the necessary trust between the lender and the client. Group loans will be allowed for certain categories of borrowers, especially with regard to fishing cooperatives.

34. In designing the component, several guiding principles about MFI good practice should be followed, including: (i) the intimate knowledge by MFIs of their activity areas will be exploited to provide information about the financial needs of their members; and (ii) MFIs will not be asked to provide loans at a lower interest rate than what they use for their regular product, as such a practice would impair credit discipline and could have disastrous consequences for the whole industry.

Support for Implementation Capacity Building (US$5 million)

35. This component would include: (i) the provision of human resources and consultancy inputs at the central and district levels; (ii) a continuous social impact assessment; (iii) the design and delivery of training programs for district administrators on financial management and streamlined implementation processes; (iv) the provision of information technology connectivity and the establishment of management information systems (MIS); and (v) the supply of basic office supplies and infrastructure and urgently needed vehicles.

36. It is envisaged that the Task Forces chaired by the District Secretaries will implement a large portion of the emergency reconstruction program. These Task Forces need to be strengthened by qualified personnel and technical expertise at the district level and at the central level within the Authority for Rebuilding the Nation (TAFREN) to administer and monitor reconstruction programs at the national level. To meet this need, IDA will support the recruitment of district directors, implementation specialists, financial management specialists, MIS specialists, and support staff on a contractual basis as necessary in each of the affected districts and at the central level to build immediate capacity. In addition, environmental engineers and social experts will be hired to ensure proper social and environmental management actions are taken during reconstruction. Staffing arrangements will be fine-tuned according to implementation needs.
Contingency Arrangements for Social Sectors

37. It is anticipated that the reconstruction and recovery needs for health and education will be mostly financed by other development partners. If gaps are identified, the following activities would be eligible for IDA financing.

Health

38. There would be financing for three types of activities: (i) strengthening existing, undamaged health care delivery services; (ii) supporting additional preventive, promotive and rehabilitative health needs; and (iii) reconstructing and re-equipping partially or fully damaged institutions.

39. The first activity would support the provision of health services in undamaged health care centers identified by central, provincial and district health authorities in the tsunami-affected areas. IDA funds would be used to strengthen those health care centers not covered by other international agencies.

40. The second activity would help to meet preventive, promotive and rehabilitative health gaps identified in affected areas. This would entail: (i) support for a Logistics Unit to coordinate the reconstruction of all health care centers in the tsunami-affected areas; (ii) support for a Bio-medical Engineering Unit to coordinate the procurement and maintenance of essential medical equipment; (iii) strengthening of the Medical Supplies Unit to restore the supply of urgently needed drugs in the affected areas; (iv) support for the rabies control program; and (v) strengthening the Epidemiology Unit to improve disease surveillance, emergency preparedness, and disaster mitigation activities.

41. The third activity would support central, provincial and district level health authorities to reconstruct and re-equip partially and fully damaged health care centers not identified for support by other donors in the affected areas.

Education

42. This would assist the efforts to rebuild, equip and upgrade the quality of schools affected by the tsunami either through damage caused by the tidal waves or through their use as shelters for displaced persons. This might provide financing for: (i) support for architectural, engineering and consultancy services and the monitoring of education outcomes; (ii) civil works; and (iii) equipment, technology, machinery and tools, books and reading materials, and essential school furniture. The objective is to reinstate the tsunami-damaged capital stock of the education system with quality upgrading so that equitable access to basic, secondary, and tertiary education is restored to pre-tsunami levels.

43. The Government is considering a plan that would involve the relocation of some schools inland. Schools should only be relocated in keeping with the relocation of the coastal population from which these students are drawn and will factor in ethnic sensitivity. If there is no relocation of the coastal population, care would be taken to ensure that existing students are not denied access to schools. The Government would attempt to utilize state-owned land for new schools sites to eliminate the involuntary acquisition of private land and reduce costs. IDA will not finance land acquisition.

Implementation Arrangements

44. The Government plans to transform the Task Force for Rebuilding the Nation into a Statutory Authority called the Authority to Rebuild the Nation (TAFREN). TAFREN, with a lifespan of three to five years, would set priorities, policies, and guidelines for the overall tsunami-related reconstruction effort. It would have broad overarching responsibility to ensure timely implementation, financial
reporting and review of procurement progress. The proposed TAFREN is not intended to be an implementing agency, but will coordinate all reconstruction efforts that are the responsibility of the central administration – i.e., major roads, railways, telecommunications, energy, national schools and teaching hospitals. A national secretariat would be set up to help it coordinate the implementation of central government-led reconstruction efforts.

45. IDA funds would be routed through TAFREN to the nine most affected districts – i.e., Amparai, Batticaloa, Galle, Hambantota, Jaffna, Kalutara, Matara, Mullaitivu and Trincomalee – or to the appropriate sectoral implementing agency.

46. The Chief Secretary of the Provincial Council will help supervise implementation of reconstruction efforts in the different districts under his/her purview. This would include procurement review, fiduciary oversight of district level activities, and compliance with social and environmental guidelines at the provincial and district levels.

47. District Steering Committees – chaired by the relevant District Secretary – will be established in each affected district in the North, East, South and West. These would include relevant political and ethnic stakeholders. Non-governmental organizations (NGOs) and UN Agencies would participate in steering committee deliberations as observers. The prioritization, design, and coordination of the implementation of tsunami-related reconstruction efforts would be the responsibility of the District Steering Committees when it comes to the livelihood support cash grants, housing reconstruction cash grants, district health plans, and district level education inputs. The Deputy Provincial Directors of Health Services and the Zonal Directors of Education would be part of the District Steering Committees to coordinate health and education sector recovery efforts at the local level. The capacity of the District Secretary would be supplemented by the appointment of dedicated experienced project managers.

48. Day-to-day implementation of tsunami-related reconstruction would be decentralized to the district level in all instances where feasible. However, actual implementation arrangements will vary across sectors with central, provincial and district level authorities playing a defining role as the case may warrant. The Government is in discussions with the LTTE with respect to the possibility of setting up a mechanism for financing reconstruction activities. If such a mechanism is developed, our approach to allocation of funding would clearly have to be adapted to take this into account.

PART V – SAFEGUARD AND FIDUCIARY POLICIES

Environmental and Social Safeguards

49. An Environmental and Social Screening and Assessment Framework (ESSAF; the “Framework”) has been prepared to undertake environmental impact assessments (EIAs) for all rehabilitation and reconstruction activities and ensure that adverse environmental and social impacts are minimized, and appropriate mitigation measures are included in sub-project design. The Framework will assess the institutional capacity to undertake environmental and social assessments, the Government’s system for review and approval of EIAs, and the capacity to monitor the implementation of environmental mitigation and social safeguard measures. Neither the GOSL, nor its implementing agencies (including provincial councils, districts, statutory authorities, and government departments), shall undertake any reconstruction or recovery activities that could cause any environmental or social impacts in the absence of an environmental assessment conducted in accordance with the ESSAF that is satisfactory to IDA.

50. The need for involuntary resettlement or land acquisition in specific sub-project areas will only be known during project implementation, when site-specific plans are available. Therefore sub-projects will be screened for applicability of the resettlement policy. Any resettlement will be undertaken following the
Sri Lanka National Involuntary Resettlement Policy (NIRP). In view of the emergency nature of the operations, IDA will, in applicable instances, require a draft resettlement plan within two months after identification of sub-projects and in advance of any resettlement. The voluntary donation or compensated contribution of land for sub-project activities will be guided by the “Guidelines for Land and Asset Acquisition, Entitlements and Compensation” included in the framework (Attachment 4).

51. The principles governing social and environmental management will be applied according to the Framework and are applicable to all activities financed by IDA, including: (i) key policy principles for social and environmental management; (ii) tools to screen sub-projects for significant social/environmental impacts and mitigate such impacts; (iii) procedures to ensure that these principles and tools are appropriately applied; and (iv) guidelines for capacity building and monitoring. The Framework will be operationalized through the proposed implementation, capacity building, and monitoring arrangements of the project.

52. All proposed sub-projects will be screened to ensure that the environmental and social risks are adequately addressed through the application of standardized guidelines and codes of practice. The emergency nature of the proposed relief and reconstruction operations and the related need to provide immediate assistance is recognized. At the same time, the Framework will ensure due diligence in managing potential environmental and social risks.

53. A continuous social impact assessment (CSIA) will facilitate the articulation of community perceptions, grievances and feedback vis-à-vis identification of beneficiaries for the housing and livelihood components and the mobilization of resources. The CSIA will help monitor the social dimensions of the program and flag potential risks. Through direct interaction with beneficiary communities it will carry out an independent evaluation of program implementation and distribution of program benefits. The CSIA will monitor the impact of the program and help to initiate necessary mitigation measures.

Procurement and Financial Management

54. In both the preparation and implementation of this program, it will be ensured that proper management and fiduciary arrangements are in place. Bank experts have been closely working with the implementing agencies to develop procurement and financial management arrangements. For more details on these arrangements, see Appendix VIII: Procurement and Appendix IX: Financial Management and Disbursements. Evidence of satisfactory and acceptable financial management arrangements has been established as an effectiveness condition.
APPENDIX I – HOUSING

A. OVERVIEW OF DAMAGE

1. The tsunami damaged nearly 110,000 housing units in 13 coastal districts of the country affecting nearly 2 percent of the total national housing stock. According to the 2001 housing census, the affected districts shared around 55 percent of the total national housing stock and the damaged housing units constitute nearly 4 percent of the affected district’s total housing stock (see Table 1). Field observations indicate that, in general, maximum damage was inflicted on housing units which were poorly constructed.

2. Available information shows that around 70,000 houses were fully destroyed while another 40,000 houses were partially damaged. Three districts (Amparai, Batticaloa and Tricomalee) in the East and two districts (Mullaitivu and Jaffna) in the North were the hardest hit, bearing around 74 percent of the total damage to housing. In these provinces, the tsunami has caused multiple displacements, compounding the already severe impact to housing in this part of the country during the past 20 years of civil conflict.

<table>
<thead>
<tr>
<th>Province/District</th>
<th>Housing Stock</th>
<th>Fully Damaged</th>
<th>Partially Damaged</th>
<th>Total Damaged</th>
<th>Percentage of Damage to Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>339,341</td>
<td>39,746</td>
<td>18,128</td>
<td>57,874</td>
<td>17.1</td>
</tr>
<tr>
<td>Batticaloa</td>
<td>112,778</td>
<td>15,939</td>
<td>5,665</td>
<td>21,604</td>
<td>19.2</td>
</tr>
<tr>
<td>Ampara</td>
<td>145,184</td>
<td>18,977</td>
<td>8,628</td>
<td>27,605</td>
<td>19.0</td>
</tr>
<tr>
<td>Trincomalee</td>
<td>81,379</td>
<td>4,830</td>
<td>3,835</td>
<td>8,665</td>
<td>10.7</td>
</tr>
<tr>
<td>North</td>
<td>163,542</td>
<td>11,959</td>
<td>1,514</td>
<td>13,473</td>
<td>8.2</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>26,617</td>
<td>5,033</td>
<td>400</td>
<td>5,433</td>
<td>20.4</td>
</tr>
<tr>
<td>Kilinochchi</td>
<td>26,322</td>
<td>246</td>
<td>0</td>
<td>246</td>
<td>0.9</td>
</tr>
<tr>
<td>Jaffna</td>
<td>110,603</td>
<td>6,680</td>
<td>1,114</td>
<td>7,794</td>
<td>7.1</td>
</tr>
<tr>
<td>South</td>
<td>599,765</td>
<td>10,635</td>
<td>13,932</td>
<td>24,567</td>
<td>4.1</td>
</tr>
<tr>
<td>Hambantota</td>
<td>148,516</td>
<td>2,303</td>
<td>1,744</td>
<td>4,047</td>
<td>2.7</td>
</tr>
<tr>
<td>Matara</td>
<td>197,552</td>
<td>2,362</td>
<td>5,659</td>
<td>8,021</td>
<td>4.1</td>
</tr>
<tr>
<td>Galle</td>
<td>253,697</td>
<td>5,970</td>
<td>6,529</td>
<td>12,499</td>
<td>4.9</td>
</tr>
<tr>
<td>West</td>
<td>1,352,446</td>
<td>7,562</td>
<td>6,496</td>
<td>14,058</td>
<td>1.0</td>
</tr>
<tr>
<td>Kalutara</td>
<td>270,147</td>
<td>3,100</td>
<td>3,668</td>
<td>6,768</td>
<td>2.5</td>
</tr>
<tr>
<td>Colombo</td>
<td>570,678</td>
<td>4,170</td>
<td>2,521</td>
<td>6,691</td>
<td>1.1</td>
</tr>
<tr>
<td>Gampaha</td>
<td>511,621</td>
<td>292</td>
<td>307</td>
<td>599</td>
<td>0.1</td>
</tr>
<tr>
<td>North Western</td>
<td>192,295</td>
<td>23</td>
<td>72</td>
<td>95</td>
<td>0.1</td>
</tr>
<tr>
<td>Puttalam</td>
<td>192,295</td>
<td>23</td>
<td>72</td>
<td>95</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>2,647,389</td>
<td>69,925</td>
<td>40,142</td>
<td>110,067</td>
<td>4.2</td>
</tr>
</tbody>
</table>

3. Even before the tsunami struck, poverty in the affected districts was already above the national average (See Appendix III). The disaster increased the vulnerability of large portions of the affected population. Field observations indicate that it is the housing settlements of the poorest sections of the coastal population that have been impacted the most.

The affected districts include Amparai, Batticaloa and Trincomalee in the East; Mullaitivu, Kilinochchi and Jaffna in the North; Hambantota, Matara and Galle in the South; Kulutara, Colombo and Gampaha in the West; and Puttalam in the North Western Province.
4. A general picture of a typical house along the affected coast would be as follows: generally one floor, on the ground structure using shallow foundations, with walls made from cement or burnt brick, and mostly with wooden roof support structures using tiles or cement asbestos roofing sheets. However, a large part of what are commonly called “temporary” or “fishermen’s houses” were more modest, with unfinished floors, wattle and daub (mud), wood plank or palm leaf walls, simple roofing, and without in-house toilets, water, and/or electricity. In terms of tenure, the situation is considerably varied with localized pockets of freehold owners side by side with developed land parcels which have occupancy and development permits as well as areas with moderate to large numbers of squatters and or tenants.

B. CRITICAL ISSUES

5. The aftermath of the tsunami presents the following set of critical issues which need to be addressed:

(i) Assigning Responsibilities: Sri Lanka does not have the necessary capacity to undertake such a geographically dispersed and massive housing reconstruction program on its own through public sector institutions. However, the country does have the experience to manage the process of homeowner-driven reconstruction through provincial and district level governments. It is therefore important to establish an institutional framework that builds on existing experience and capacities within government by clearly assigning the coordination and facilitation role to the government while placing the responsibility for managing reconstruction on the affected communities/households.

(ii) Public Safety and Risk Mitigation: GOSL is rightly concerned about public safety and the need to put in place coastal land use regulations to minimize risks from any future tsunami and cyclone damage. To reduce vulnerabilities to future disasters, such as cyclones of tsunamis, the GOSL is considering establishing a coastal reservation zone that includes plans for a 100 meter setback in the South and West, and a 200 meter setback in the East and North. However, among others, the main areas of concern with this issue are: (a) the status of fishing communities that have lived for decades close to the beach and whose livelihoods depend on this location; (b) the economic and financial costs, as well as feasibility, of implementing and sustaining a “100 meter housing restricted zone” policy; and (c) the political, administrative, legal, and management implications of adopting such a policy. To be effective, the implementation of a blanket “100 meter housing restricted zone” policy would require intense preparation and extensive public consultations with local communities along the entire 800 kilometer coastline. Both activities would require considerable time and resources. Housing reconstruction cannot wait for full resolution of this issue. Therefore, during the immediate recovery phase, efforts should be targeted at locations not impacted by the “housing restricted zone.” This will provide an opportunity for the both the GOSL and the affected communities to gain much required reconstruction experience and, upon resolution of this issue, the entire process can be appropriately scaled up; and

(iii) Targeting the Most Vulnerable: Immediate attention is required to support the housing reconstruction efforts of the poorest segments of the coastal communities. Households at very low income levels are extremely sensitive to their housing location because this directly affects their livelihoods and income.

C. HOUSING RECOVERY STRATEGY

6. The housing component is designed to address the three critical issues highlighted above. In this phase of the recovery process, the initiative will support the most vulnerable households through a homeowner-driven reconstruction process in locations not impacted by the “100 meter housing restricted zone”, and hence not affected by the resettlement issue. This will be facilitated by the existing provincial, district, and local community structures. Based on lessons learned and experience gained in this initial
phase, and upon resolution of the public debate on the “housing restricted zone,” a possible next phase to appropriately scale up housing reconstruction using a similar process may be undertaken and may include very selective relocation if and where deemed critically necessary.

7. **Homeowner-driven Housing Reconstruction Model:** Experience with post-disaster reconstruction in India and Turkey (rural) as well as Colombia and Mexico indicate that, to the extent possible, the most feasible and sustainable option is *in-situ* reconstruction managed by the affected households that were provided with assistance in the form of cash grants and/or loans. Sri Lanka’s own experience with housing reconstruction after the large scale flooding in the Southern Province, and the lessons learned during the preparation of the IDA-supported North East Housing Reconstruction Project (NEHRP) and its related pilot project, support the rationale and the feasibility for adopting this approach. The affected families in selected locations will be provided with a phased payout of cash grants. The timing, pace, content, and extent of reconstruction will be managed by individual families that will be given relevant information on alternative house type plans, construction costs, and techniques and available demonstration units. Locally-based civil society organizations will be invited to facilitate the reconstruction process and to serve as a link between and among the affected families, local governments, building material suppliers, and locally-based micro- and small-scale building contractors. With household-driven reconstruction, local economies are expected to be revived through the creation of jobs for locally based skilled and unskilled labor on time schedules best suited to the pattern of local labor demand. In addition, at the household level, becoming actively involved in and having control over the reconstruction of one’s own home is in itself an important part of healing for the traumatized families in the affected areas.

8. **Public-private Partnership Model:** Past experience in post-disaster reconstruction indicates that there will be a sizeable number of households who will not have the means required to manage housing reconstruction on their own. For such households, it will be necessary to establish partnership arrangements either with public or civil society organizations. The structure of partnerships will differ according to the nature of the partner organization and the specific needs of the communities.

**D. PROPOSED PROGRAM COMPONENTS**

9. The housing reconstruction component will consist of three sub-components: (i) housing support cash grants for reconstruction; (ii) capacity building; and (iii) technical assistance.

**Housing Assistance (US$36.5 million)**

10. Tsunami-affected households who: (i) meet a monthly income criteria of less than LKR 2,500; (ii) are officially permitted to build and/or repair their housing; and (iii) are confirmed to be residents, will be eligible to receive LKR 250,000 if their house was completely destroyed or LKR 100,000 if their house was partially damaged (up to 40% of the replacement cost). The final beneficiary selection will follow a Housing Damage Assessment and Social Verification survey conducted jointly by a team consisting of a village representative, a technical officer of the government, and a locally selected NGO. This financial assistance will be provided on the basis of the progress made by the beneficiaries, and each district will target the allocated units on a rolling plan format. Since the North, East, South and West have different levels of institutional capacity and community-based organizational structures, alternative models of project implementation operational modalities may be necessary to implement the program.

11. Using a notional distribution of housing reconstruction efforts based on the damage in each of the major nine tsunami affected district indicates that it will be possible to assist a total of around 16,600 housing units – i.e., 13,280 fully damaged and 3,320 partially damaged units (see Table 2).
Table 2: Notional Distribution of Housing Units Supported Based on Damage Ratio

<table>
<thead>
<tr>
<th>Province/District</th>
<th>No. of Fully Damaged Units Assisted</th>
<th>No. of Partially Damaged Units Assisted</th>
<th>Total Units Assisted</th>
<th>Percentage Distribution of Units Assisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>8,096</td>
<td>1,616</td>
<td>9,712</td>
<td>58.5</td>
</tr>
<tr>
<td>Batticaloa</td>
<td>3,247</td>
<td>505</td>
<td>3,752</td>
<td>22.6</td>
</tr>
<tr>
<td>Amparai</td>
<td>3,865</td>
<td>769</td>
<td>4,635</td>
<td>27.9</td>
</tr>
<tr>
<td>Trincomalee</td>
<td>984</td>
<td>342</td>
<td>1,326</td>
<td>8.0</td>
</tr>
<tr>
<td>North</td>
<td>2,386</td>
<td>135</td>
<td>2,521</td>
<td>15.2</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>1,025</td>
<td>36</td>
<td>1,061</td>
<td>6.3</td>
</tr>
<tr>
<td>Jaffna</td>
<td>1,361</td>
<td>99</td>
<td>1,460</td>
<td>8.8</td>
</tr>
<tr>
<td>South</td>
<td>2,166</td>
<td>1,242</td>
<td>3,408</td>
<td>20.5</td>
</tr>
<tr>
<td>Hambantota</td>
<td>469</td>
<td>155</td>
<td>625</td>
<td>3.8</td>
</tr>
<tr>
<td>Matara</td>
<td>481</td>
<td>504</td>
<td>986</td>
<td>5.9</td>
</tr>
<tr>
<td>Galle</td>
<td>1,216</td>
<td>582</td>
<td>1,798</td>
<td>10.8</td>
</tr>
<tr>
<td>West</td>
<td>631</td>
<td>327</td>
<td>958</td>
<td>5.78</td>
</tr>
<tr>
<td>Kalutara</td>
<td>631</td>
<td>327</td>
<td>958</td>
<td>5.78</td>
</tr>
<tr>
<td>Total</td>
<td>13,280</td>
<td>3,320</td>
<td>16,600</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: The total number of cases is distributed across districts based on their share of fully damaged and partly damaged houses. The notional number of units financed by the project is estimated by assuming 80% of the targeted units for reconstruction of fully damaged units and 20% for partly damaged units.

Capacity Building (US$1.5 million)

12. District level capacity to manage large-scale reconstruction will need to be strengthened, given that some of the districts located in the North and East will also implement the housing program under NEHRP. To this end, the program will support the following activities:

(i) **Skills Training for Construction Labor:** One of the main challenges faced by the project is the shortage of skilled construction labor, particularly in the North and East. The project will support the training of traditional masons and carpenters on low-cost housing technologies and will train new workers on other trades related to house construction. According to a rough estimate, the project will require about 12,000 masons; 2,000 carpenters; 19,000 workers for preparing steel frames; and nearly 2,000 painters. The shortage of skilled workers will be acute in those areas where both the tsunami emergency program and the NEHRP will be implemented.

(ii) **Communications Initiative:** The project will support a continuous information dissemination campaign and on-going media relations with respect to housing recovery to ensure transparency and accountability during implementation. The communication strategy will increase local awareness of alternative materials and their use, price variations, alternative construction types and methods. These activities will be outsourced to a communications firm with requisite experience.

13. The following related activities will be assisted through other components of the current project or through other current or in the pipeline IDA-supported initiatives:

(i) **Grievance Redress Mechanism:** This activity will include the establishment of a formal and transparent grievance redress mechanism at the divisional, district, and program levels to expedite resolutions of complaints and grievances by affected families concerning, for example, the delayed release of financial assistance and erroneous housing damage assessment.
(ii) **Continuous Social and Environmental Impact Assessments:** The overall project will appoint consultants to undertake continuous social and environmental impact assessments as a concurrent evaluation of the program. If needed, the project implementation team will undertake a mid-course correction using feedback from these assessments.

(iii) **Land Management:** Activities may include: (a) the restoration and restitution of boundaries and land/plot rights and titling *in situ*, on an emergency basis; and (b) land-related policies and mechanisms to facilitate voluntary relocation and settlement in an equitable, efficient and socially accepted manner; as well as surveying, mapping land use zoning and demarcation. Issues related to loss of documents, the reconstruction of records and Registry Offices where needed, and the implementation of an emergency expedited titling program are priority items within the program. An improved management information system (including GIS) and an overall action plan will be prepared to address and execute all land-related activities.

**Technical Assistance (US$2.0 million)**

14. The following Technical Assistance (TA) activities will be funded under the housing component of the project:

(i) **Technical Quality Control and Auditing:** This sub-component will be outsourced to competent NGOs, technical agencies, and/or an engineering firm to ensure quality control in housing reconstruction.

(ii) **Housing Damage Assessment and Social Verification Survey:** The District Task Force will sponsor a housing damage assessment and social verification exercise to survey all damaged houses, and list and prioritize the beneficiaries for assistance. It will mobilize government engineers at the district and divisional levels, which will be supported by community level committees for this purpose.

(iii) **Facilitating the Building Materials Market:** Efforts will be made to establish direct links with the private sector at the local and national levels to facilitate the flow and purchase of building materials by village rehabilitation committees and other community-based organizations. The District Task Force will disseminate information on alternative building practices and recommend ways and means to improve the supply chains.

(iv) **Support for Partner Organizations:** Beneficiaries will have the option to outsource construction to pre-identified partner organizations with proven track records. Organizations identified to partner in the implementation of the program will be trained in project and financial management. Partner organizations assisting the construction process through a beneficiary-partner organization agreement shall enter into a service contract with the District Secretary for this purpose.

**Implementation Arrangements**

15. The program will be implemented through the District Administration. The Divisional Secretaries will be responsible for project implementation and monitoring supported by the District Task Forces. The program will include local NGOs, village committees (Village Rehabilitation Committees in the North and East and similar community-based organizations in the South and West) in the processes of housing damage assessment, beneficiary selection, physical progress certification, resolution of land related issues, and the establishment of the community based grievance redress mechanism. This initial phase of the housing recovery program will assist around 16,600 affected units spread across nine affected districts.
16. Under each District Task Force, a housing reconstruction office will be constituted that will implement the emergency housing recovery program and in the North and East, NEHRP. Additional project directors may be appointed based on case loads. Both the emergency housing recovery program and the NEHRP will be implemented through separate accounting and reporting systems. The district level project director will oversee implementation and will report regularly to the task forces constituted both at the district and central levels.

17. Once selected, beneficiaries will receive the first tranche of the housing reconstruction grant for mobilization. Subsequent transfers will be made to them upon verification of the construction progress by the village/community level monitoring committee supported by the technical supervision team. Grants for repairs will be transferred in two stages: fifty percent upon mobilization and the balance after completion. The process will follow a quality control and supervision mechanism, which is already in place for the North and East and will be established by TAFREN for the South and West.

**Project Risks and Enabling Features**

18. **Conflict and Regional Sensitivities:** Two major risks need to be addressed. First, the tsunami housing reconstruction project should not undermine the on-going conflict-related housing reconstruction program in the North and East. Since both projects (the post-tsunami and post-conflict projects) will be implemented in parallel, the project design and financial assistance package should be along the same lines to avoid potential conflicts between beneficiary families. This is extremely important, since nearly 20 to 25 percent of the beneficiaries overlap between these two projects. Second, since multiple actors will participate in the recovery program, there is a need to ensure uniformity in beneficiary entitlements across varied programs in the same areas.

19. **Beneficiary Identification:** The preparation of an accurate list of reconstruction beneficiaries, following a rapid but thorough housing damage assessment and social verification, is an urgent task. The beneficiary selection process will follow the methodology adopted in the NEHRP. In order to fully consider the social and political sensitivities within the concerned districts, village/community participation in the selection and prioritization processes is crucial.

20. **Coastal Conservation Zone:** Acknowledging the need to reduce risks from tidal waves and storm surges and to protect the coastal ecology, it is imperative to bring a quick resolution to the question of “housing restricted zones” along the coast. Left pending, this issue poses the single most critical hurdle to the entire recovery and reconstruction process. Among others, the main areas of concern are: (i) implementing different zone limits (100 meters in the South and West, and 200 meters in the North and East); (ii) the time lag in formulating a differential zoning regulation; (iii) the issue of continued ownership of private lands in the “housing restricted zones”; (iv) the feasibility of effectively managing the political, legal, administrative, and logistical requirements of such a policy; and (v) the modalities of identifying localized areas deemed too risky for development and the enforcement of specific but clearly demarcated and publicly accepted “no development zones”.

21. **Transparency and Accountability in Reconstruction:** Reconstruction plans, as well as implementation modes and procedures, will have to be as widely publicized and disseminated as possible. The absence of such transparency will affect the success of all reconstruction efforts. Of particular concern are the listing of beneficiaries, arrangements for and actual disbursement of reconstruction assistance, and the monitoring of progress in reconstruction. To ensure accountability for each component of the reconstruction process, clear roles and responsibilities should be assigned and made widely known. Financial accounting and auditing should also be undertaken.
22. **Construction Material Resource Plan:** Reconstruction and repair of nearly 110,000 dwelling units would demand a large amount of timber, sand, cement, and roofing materials. While the Southern districts experience acute shortage of sand, the unavailability of timber is a major constraint in the North and East. The shortage of building materials resulted from the overexploitation of local resources and unsustainable increase in construction costs. To mitigate this shortage, free movement of building materials should be ensured. Environmental and resource management plans should be prepared at the district level to guide the administration and the private sector in managing the material supply chains. Alternative, affordable technological solutions, such as the use of reinforced concrete frames for rafters, windows, and doors, should be provided, promoted, and widely publicized through demonstration, information dissemination, and cost incentives.

23. **Urban Management and Development Assistance:** In all affected coastal locations, local and municipal councils historically have not had adequate institutional capacity and the wherewithal to effectively manage growth. The tsunami disaster has compounded the problem. As part of the recovery process, these local government units will be assisted to develop and mainstream participatory recovery strategies, including the preparation of local area redevelopment plans. Resources for the design and rehabilitation and/or reconstruction of local infrastructure, such as internal minor roads, pathways, solid waste management, and street lighting, will also have to be mobilized.

24. **Streamlining Legal and Administrative Procedures:** Three issues are critical: (i) there are very high chances that a considerable number of affected families may have lost their official documents proving their ownership/tenure status. This situation may be compounded by the fact that in some districts (e.g., Matara) the land registry buildings and records have been destroyed. In such cases, a mechanism should be put in place to ensure that this does not unduly delay reconstruction; (ii) clear, concise, and simplified building codes applicable to the reconstruction process should be developed, adopted, and widely disseminated; and (iii) an accelerated process for issuing building permits should be institutionalized at the appropriate local, district, and provincial levels.

25. **Quality Control:** As noted earlier, the tsunami mostly damaged houses which were poorly constructed. If the proposed homeowner-driven reconstruction approach is not adequately supported, it may face the risk of rebuilding earlier vulnerabilities. Therefore, it is critical to incorporate supportive mechanisms for quality control through building technology information inputs.

26. **Supporting Decentralization:** Reconstruction over the dispersed locations provides an opportunity for Sri Lanka to deepen its on-going decentralization efforts and implement the principle of subsidiarity in governance. This will allow for locally appropriate solutions and enable a range of sub-national structures to channel and monitor funds and ensure that they are used to the best local advantage. The emergency recovery program should not undermine the progress already made in the decentralization process in the country.

**Monitoring and Evaluation**

27. Monitoring of construction (i.e., program outputs) and its impact would be done through several mechanisms, including a continuous social impact assessment (CSIA), technical progress reports of the District and Divisional Secretaries, a follow-up environmental monitoring, and a third-party audit of civil works. The consultants to be hired to conduct some of these activities will also support the project management team in monitoring the performance of the project engineers and community organizations in the technical supervision and progress certification process. The progress reports to be submitted by the District Task Force to TAFREN, as well as the review reports submitted by the social and environmental consultants and quality assurance teams, will support the project implementation agency to effectively monitor and evaluate project performance.
28. The project management team will use the following key performance indicators: (i) percentage of eligible families assisted by the program; (ii) percentage of (fully and partially damaged) houses reconstructed; (iii) number of masons and carpenters trained; (iv) number of community based housing societies established; and (v) percentage of beneficiary grievances and complaints redressed.

**IDA Contribution**

29. The total housing program component is estimated to cost US$40 million. The housing grant sub-component will cost about US$36.5 million to assist nearly 16,600 partially and fully damaged houses (see Table 3). The capacity building sub-component is expected to cost about US$1.5 million, and the technical assistance sub-component will cost US$2.0 million over the two years (see Table 4).

**Other Donor Contributions**

30. Since the housing reconstruction process cuts across several sectors, such as livelihoods, community infrastructure, skill development, resettlement and protection, social mobilization and community participation, temporary shelter assistance, and debris removal, coordination with development partners involved in these sectors is essential. An important forum for inter-sector coordination is the periodic review meeting of the Task Force set up for the management and supervision of the tsunami emergency recovery program.

### Table 3: Cost of Housing Assistance Component by Sub-component

<table>
<thead>
<tr>
<th>Sub-component</th>
<th>Year 1</th>
<th></th>
<th>Year 2</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount per house (LKR)</td>
<td>Total costs (LKR)</td>
<td>Amount per house (LKR)</td>
<td>Total costs (LKR)</td>
<td></td>
</tr>
<tr>
<td>Assistance for fully damaged houses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>4,648</td>
<td>250,000</td>
<td>8,632</td>
<td>13,280</td>
</tr>
<tr>
<td>Assistance for repair of partially damaged houses</td>
<td>100,000</td>
<td>2,988</td>
<td>100,000</td>
<td>332</td>
<td>3,320</td>
</tr>
<tr>
<td>Total</td>
<td>7,636</td>
<td>1,460.80</td>
<td>8,964</td>
<td>2,191.20</td>
<td>16,600</td>
</tr>
<tr>
<td>Total (US$ million)</td>
<td>14.2</td>
<td></td>
<td>22.3</td>
<td></td>
<td>36.5</td>
</tr>
</tbody>
</table>

Notes:
A. Costing assumes that the program will finance only 20% of the major repairs (up to 40% of the replacement cost) in the immediate term.
B. Due to limited institutional capacity at the district and divisional administration levels, reconstruction of fully damaged units is assumed to be 35% in the first year and 65% in the second year. 90% of the repair works are assumed to be funded in the first year, and the balance in the second year.
C. The annual distribution of the total number is notional. The District Project Management Unit will implement the total number of cases on a rolling plan format, and funds will be disbursed on the basis of physical progress.

### Table 4: Total Cost of the Housing Component (US$ millions)

<table>
<thead>
<tr>
<th>Sub-component</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing support cash grants</td>
<td>36.50</td>
<td>0.00</td>
<td>36.50</td>
</tr>
<tr>
<td>Capacity building</td>
<td>1.25</td>
<td>0.25</td>
<td>1.50</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>1.50</td>
<td>0.50</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>Total Housing Component Costs</strong></td>
<td><strong>39.25</strong></td>
<td><strong>0.75</strong></td>
<td><strong>40.00</strong></td>
</tr>
</tbody>
</table>
APPENDIX II – ROADS, WATER SUPPLY AND OTHER INFRASTRUCTURE

A. OVERVIEW OF DAMAGE

1. The tsunami of December 26, 2004 severely damaged infrastructure systems in 13 districts of Sri Lanka’s coastal areas. Prior to the tsunami, infrastructure systems in many of these areas were already in poor condition, especially in the North and East due to the 20 years of conflict. The tsunami devastated infrastructure systems that were even in the process of being reconstructed. A brief overview of the damage in each sub-sector is discussed below.

2. In the water sector, it is estimated that approximately 62,000 wells (mostly dug wells and some tube wells) were destroyed or damaged by the tsunami in coastal villages, most of which have been abandoned due to highly contaminated water sources. Similarly, 30,000 sanitation facilities, including latrines and septic tanks, were washed away or damaged. As far as urban water schemes, distribution pipelines and pumping structures in nine coastal towns were damaged.

3. In the road sector, the national roads network in the coastal regions suffered the most significant damage. A total length of 690 km of national roads was damaged, though this damage is in spot locations or in discrete sections and does not extend throughout the entire length. Compared to the national roads, damage to the provincial roads and local government roads was less severe. It is estimated that a total length of 300 km of provincial roads and 1,180 km of local government roads were affected by the tsunami and need repairs/rehabilitation. Several bridges in the Southern and North East Provinces were damaged by the tsunami and are now passable due to the erection of temporary bailey bridges.

4. In the power sector, the number of households to which electricity supply was interrupted was approximately 62,500 in Ceylon Electricity Board’s (CEB) operating area (about 2 percent of CEB’s total household customers) and above 7,800 in the Lanka Electricity Company Ltd.’s (LECO) operating area (above 2 percent of LECO’s total household customers). About 48 km of medium voltage distribution lines (11kV and 33kV) and 405 km of low voltage distribution lines (400V and below) are destroyed and needed to be replaced. About 70,000 sets of meters and service wires connected to households are also damaged, as the tidal wave washed away houses, distribution poles and wires. A total of 88 sub-stations located in the distribution networks were also damaged.

B. OTHER OBSERVED IMPACTS

5. The extent of debris, waste material, and rubble requiring disposal poses a huge issue because of the sheer volume and associated costs involved. Emergency clearance efforts have resulted in haphazard disposal of rubble along roads, in open fields, into drainage ditches, low lying lands and waterways, and along beaches. The issue of removing and properly disposing of debris must be addressed during the reconstruction phase, particularly in connection with housing and infrastructure reconstruction. Reuse and recycling of some construction materials should be explored when rebuilding housing and infrastructure systems. The internal roads that provided adequate connectivity during debris removal activities that used the coastal roads have now further deteriorated due to inadequate design for handling such high levels of usage. The rehabilitation of these roads also needs to be addressed.
C. RECONSTRUCTION AND RECOVERY NEEDS

6. Many people in the affected areas are living under temporary arrangements, including emergency camps. Those who opted to return to their original locations are facing a lack of basic infrastructure facilities. Obviously, basic infrastructure services such as water supply and sanitation, roads, and power supply will need to be restored as soon as possible to support the lives of the affected people and to help them resume economic activity.

7. In the water sector, restoring water supply systems in rural areas is potentially a serious challenge, due to the shortage of good water sources. Therefore, finding alternative water sources is an issue requiring urgent and careful attention in the coastal villages where people want to return. Conjunctive use of multiple water sources, such as rainwater, surface water, and groundwater must be explored wherever appropriate. For example, rainwater could be harvested for drinking and cooking purposes, and groundwater or surface water could be used for washing and bathing. Whenever possible, appropriate sanitation facilities need to be provided together with water supply schemes. For the proposed new townships that GOSL is contemplating building for resettlement of affected communities, availability of sustainable water sources should be an important factor in deciding the location of such new townships. The short term needs for the reconstruction of the tsunami damage is estimated to be US$64 million, while the long term recovery needs are estimated to be approximately US$53 million.

8. In the road sector, there is an immediate need to address bridge repairs and road rehabilitation to avoid further deterioration of road conditions that have been compounded by the effect of tsunami. The reconstruction of bridges must be addressed as soon as possible, giving due consideration to the length of time for reconstruction, as well as weather patterns. The hydraulic capacities of culverts and bridges would be checked, and where deficient, larger culverts and higher, longer span bridges would be constructed. The short term needs for the reconstruction of roads and bridges is estimated to be US$21 million, while the longer term reconstruction needs are assessed at US$157 million.

9. In the power sector, recovery and reconstruction needs and improvements for the next three years include:

- Emergency procurement of tools, materials, vehicles, equipment, and office furniture to reestablish the operational capability at regional CEB offices, including replacement of material already used from other projects; and
- Rehabilitation and emergency repairs to the damaged power infrastructure, in particular the distribution system.

10. The short term needs are estimated to be US$27 million, with medium to long term needs for reconstruction and improvements at US$40 to 50 million.

D. PROPOSED PROJECT COMPONENTS

11. This component will finance repairs/reconstruction of priority infrastructure systems to help rebuild devastated communities as quickly as possible. It is important that selection of target communities and sub-sectors be done in a fair and transparent manner based on reconstruction needs.

12. Eligible sub-sectors under the component include water supply and sanitation, roads, power, and debris removal. The component will also finance consultancy services associated with infrastructure reconstruction, such as feasibility studies, environmental and social analyses, preparation of engineering designs and bidding documents, construction supervision, and monitoring and evaluation activities. A
limited amount of office and communication equipment can also be financed to support project implementation.

13. In terms of the road sector, assistance could be provided for the financing of feasibility studies, packaging of roads, and preparation of bid documents for the project proposals currently being developed. The Matara-Batticaloa section of the Colombo-Matara-Kataragama-Batticaloa highway could be identified for further review.

14. Careful selection must be made between building high standard infrastructure in a limited number of communities and building infrastructure of upgradable standards in as many communities as possible. Communities’ inputs with regard to technological options and infrastructure designs are critical. It is also important that infrastructure reconstruction is well-coordinated with other reconstruction and recovery activities, especially housing reconstruction. With respect to infrastructure falling within the purview of the central government, efforts should be channeled towards immediate reconstruction with consideration of modest future needs and a clear view of the demand needs within a well coordinated strategy.

**Key Performance Indicators**

15. Key performance indicators include:

- The number of water supply and sanitation facilities repaired/reconstructed;
- The number of kilometers of roads rehabilitated/reconstructed;
- The number of households that have regained access to power; and
- The number of tons of properly disposed debris.

**Policy Issues**

16. The most important policy issue is the GOSL’s consideration of a plan that would establish coastal non-construction zones, hence, requiring relocating tsunami-affected townships to inner areas. Infrastructure reconstruction will obviously be affected by any decision on this issue.

17. Another important policy aspect is a compromise between the rapid reconstruction by a top-down approach and a slower, more sustainable bottom-up approach. This choice will need to be made depending on the types of infrastructure targeted during the reconstruction phase. For community-based (tertiary) infrastructure, it is essential that communities actively participate in planning and implementation of reconstruction activities. Community members should be encouraged to provide unskilled labor during the construction phase whenever possible. Also, communities must be responsible for operations and maintenance of the infrastructure assets after the reconstruction phase has ended.

**Implementation Arrangements**

18. The primary consideration for the design of the implementation mechanism would be governed by whether the development of a particular type of infrastructure has been devolved under the thirteenth amendment to the Constitution. Implementation arrangements for this component should be flexible, depending on the capacity of regional and local authorities and the types of infrastructure targeted for reconstruction. Particularly in the North and East, it is essential to devise an institutional mechanism acceptable to all parties concerned.

19. Affected provincial and local authorities should identify priority sub-projects for inclusion in this component. Depending on the types of infrastructure, feasibility studies will be conducted by hiring
consultants or NGOs, and designs for infrastructure reconstruction will be prepared in consultation with communities. Implementation can be done through community contracting or private contractors. The sequencing of the reconstruction efforts should take into account the constraints in the capacity of contractors to undertake such work.

20. For the types of infrastructure with potential negative environmental and/or social impacts, environmental and social analyses will be undertaken as part of the feasibility studies, and necessary mitigation measures will be incorporated into the reconstruction designs.

**Monitoring and Evaluation**

21. Baseline information needs to be established for the target communities during the needs assessment/feasibility studies, including the socio-economic conditions of the community members and infrastructure conditions. Provincial/local authorities will monitor the progress during the design and implementation stages. Communities and other stakeholders should be given an opportunity to provide their own evaluation of the concerned sub-project. For sub-projects with potential negative environmental and social impacts, environmental and social auditing will be arranged to ensure that mitigation measures are properly incorporated into project implementation.

**IDA Contribution**

22. IDA will potentially contribute US$15 million through the proposed operation to infrastructure, tentatively broken down by category in Table 1.

<table>
<thead>
<tr>
<th>Item</th>
<th>Allocated Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>500,000</td>
</tr>
<tr>
<td>Works</td>
<td>9,500,000</td>
</tr>
<tr>
<td>Services</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,000,000</strong></td>
</tr>
</tbody>
</table>

(Goods include office and communication equipment, and services include consultancies for detailed needs assessment, feasibility studies, environmental and social analyses, preparation of engineering designs and bidding documents, construction supervision, and monitoring and evaluation activities.)

**Other Donor Contributions**

23. At this time, it is not yet clear which donor agencies will finance the various sub-sectors in each of the affected districts. However, it is expected that ADB, JBIC, and IDA will be key players, along with other bi-laterals, in the reconstruction of damaged infrastructure. Before the end of February, coordination meetings led by GOSL will have been held on the roads and water sectors, which will identify available resources for these two sectors and permit IDA to identify specific investments that may be needed.
APPENDIX III – LIVELIHOODS

A. OVERVIEW OF DAMAGE AND BROADER RELATED IMPACTS

1. The widespread destruction caused by the tsunami brought a heavy toll on livelihoods in the affected areas. Job losses are particularly heavy in the large informal sector in affected areas due to loss of productive assets and markets, especially in fisheries, tourism and small retail businesses. The catastrophe has resulted in acute vulnerability in a large segment of the population that depends on the informal sector for livelihoods, because these people are among the least protected by any form of safety net typically available to the formal sector.

2. About 200,000 job losses are estimated in fishing and rural industries, tourism, and agriculture (see Table 1). The heaviest losses were recorded by fisheries with 94,000 jobs lost. Total job loss in tourism is estimated at 27,000 and is concentrated in the South and West. An estimated 21,000 jobs were lost by small businesses, with losses higher in the South and West. Approximately 40,000 jobs were lost by own-account workers engaged in activities such as trading, agro-business, and food and beverages. Agricultural job losses amounted to 16,000 and were concentrated in the Eastern province. The districts that were hardest hit in terms of overall job losses are Amparai, Batticaloa, and Galle, which together account for 41 percent of the total jobs lost (see Fig. 1). Disaggregating by province, the North and East account for 54 percent of the total jobs lost, with the Southern and Western Provinces accounting for 25 and 17 percent, respectively.

<table>
<thead>
<tr>
<th>Province</th>
<th>District</th>
<th>Total</th>
<th>Fisheries</th>
<th>Guesthouses</th>
<th>Hotels</th>
<th>Small business</th>
<th>Own-account workers</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Jaffna</td>
<td>18.4</td>
<td>14.7</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>2.4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Killinochchi</td>
<td>6.2</td>
<td>2.9</td>
<td>0</td>
<td>0</td>
<td>0.7</td>
<td>2.6</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Mullaitivu</td>
<td>5.0</td>
<td>3.3</td>
<td>0</td>
<td>0</td>
<td>0.5</td>
<td>1.2</td>
<td>0</td>
</tr>
<tr>
<td>Eastern</td>
<td>Trincomalee</td>
<td>18.6</td>
<td>10.8</td>
<td>0.6</td>
<td>0.3</td>
<td>1.9</td>
<td>4.3</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>Batticaloa</td>
<td>28.5</td>
<td>11.8</td>
<td>0.1</td>
<td>0.0</td>
<td>3.6</td>
<td>9.2</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>Amparai</td>
<td>30.8</td>
<td>6.3</td>
<td>0.2</td>
<td>0.1</td>
<td>5.7</td>
<td>9.1</td>
<td>9.3</td>
</tr>
<tr>
<td>Southern</td>
<td>Hambantota</td>
<td>14.5</td>
<td>6.9</td>
<td>2.4</td>
<td>1.0</td>
<td>1.0</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Matara</td>
<td>12.8</td>
<td>6.0</td>
<td>2.4</td>
<td>1.0</td>
<td>1.4</td>
<td>2.1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Galle</td>
<td>22.3</td>
<td>4.9</td>
<td>9.3</td>
<td>3.8</td>
<td>1.6</td>
<td>2.8</td>
<td>0</td>
</tr>
<tr>
<td>Western</td>
<td>Kalutara</td>
<td>14.2</td>
<td>4.1</td>
<td>4.6</td>
<td>1.9</td>
<td>1.4</td>
<td>2.1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Colombo</td>
<td>3.4</td>
<td>1.7</td>
<td>0</td>
<td>0</td>
<td>0.6</td>
<td>1.1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Gampaha</td>
<td>15.3</td>
<td>12.4</td>
<td>0</td>
<td>0</td>
<td>1.2</td>
<td>1.6</td>
<td>0</td>
</tr>
<tr>
<td>North-W.</td>
<td>Putalam</td>
<td>8.8</td>
<td>8.7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>198.7</td>
<td>94.4</td>
<td>19.6</td>
<td>8.0</td>
<td>21.0</td>
<td>40.0</td>
<td>15.7</td>
</tr>
</tbody>
</table>

Sources: Ministry of Fisheries, Dept. of Census and Statistics, Ministry of Tourism, and FAO. Prepared in consultation with the ADB and ILO.

3. Material damage to the livelihoods sector exceeds US$140 million (see Table 2). The damage suffered by fishermen amounted to about US$84 million, of which just over one-half is damage to fishing gear. Damage borne by guesthouses is estimated at US$20 million, by small businesses at US$17 million, and by own-account workers at US$20 million.
4. Beyond the job losses and material damage, the tsunami tragedy has had a profound social impact in affected areas. The affected communities are yet to overcome the loss of over 31,000 of their members, injuries to more than 15,000, and the displacement of around 105,000 families (around 419,000 individuals) (see Table 3). A large number of orphaned children, along with widows, single-headed households, elderly, and disabled people are especially prone to psycho-social distress and may lack basic means necessary for subsistence. Many of the displaced families are still living in camps under especially difficult circumstances, while many others have left camps to live temporarily with friends and relatives.6

5. It is important to note that before the tsunami, poverty in the worst affected districts was above the national average, and the catastrophe has likely increased their vulnerability. Among districts in the South for which poverty estimates are available (DCS; 2002), poverty headcounts for the Galle, Hambantota and Matara districts are much higher than the national average (excluding the North and East for which estimates are not available) (see Fig. 2). These three districts are also among the worst affected in the South in terms of job losses, accounting for about 60 percent of job losses in this region. For the affected districts in the North and East, other economic and social indicators suggest that the poverty rates would have been likely higher than the national average as well, due to the social and economic deprivations brought about by a long history of conflict. This situation would be exacerbated by the fact that two of these

### Table 2: Estimated Damage to the Livelihood Sector (1,000 US$)

<table>
<thead>
<tr>
<th>Province</th>
<th>District</th>
<th>Total</th>
<th>Fisheries*</th>
<th>Guest-houses**</th>
<th>Small business*</th>
<th>Own-account workers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Jaffna</td>
<td>13,977</td>
<td>11,685</td>
<td>0</td>
<td>1,074</td>
<td>1,218</td>
</tr>
<tr>
<td></td>
<td>Killinoechi</td>
<td>4,454</td>
<td>2,587</td>
<td>0</td>
<td>550</td>
<td>1,317</td>
</tr>
<tr>
<td></td>
<td>Mullaitivu</td>
<td>4,272</td>
<td>3,244</td>
<td>0</td>
<td>407</td>
<td>621</td>
</tr>
<tr>
<td>Eastern</td>
<td>Trincomalee</td>
<td>14,214</td>
<td>9,945</td>
<td>628</td>
<td>1,504</td>
<td>2,138</td>
</tr>
<tr>
<td></td>
<td>Batticaloa</td>
<td>16,000</td>
<td>8,436</td>
<td>78</td>
<td>2,887</td>
<td>4,599</td>
</tr>
<tr>
<td></td>
<td>Ampara</td>
<td>14,636</td>
<td>5,283</td>
<td>235</td>
<td>4,568</td>
<td>4,549</td>
</tr>
<tr>
<td>Southern</td>
<td>Hambantota</td>
<td>10,471</td>
<td>6,613</td>
<td>2,387</td>
<td>800</td>
<td>671</td>
</tr>
<tr>
<td></td>
<td>Matara</td>
<td>10,887</td>
<td>6,344</td>
<td>2,387</td>
<td>1,111</td>
<td>1,044</td>
</tr>
<tr>
<td></td>
<td>Galle</td>
<td>16,982</td>
<td>5,060</td>
<td>9,257</td>
<td>1,280</td>
<td>1,386</td>
</tr>
<tr>
<td>Western</td>
<td>Kalutara</td>
<td>10,589</td>
<td>3,782</td>
<td>4,628</td>
<td>1,110</td>
<td>1,069</td>
</tr>
<tr>
<td></td>
<td>Colombo</td>
<td>2,562</td>
<td>1,493</td>
<td>0</td>
<td>498</td>
<td>572</td>
</tr>
<tr>
<td></td>
<td>Gampaha</td>
<td>12,984</td>
<td>11,195</td>
<td>0</td>
<td>993</td>
<td>795</td>
</tr>
<tr>
<td>North</td>
<td>Puttalam</td>
<td>8,154</td>
<td>8,105</td>
<td>0</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>140,182</td>
<td>83,771</td>
<td>19,600</td>
<td>16,811</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Source: Estimates prepared in consultation with the ADB.
Notes: *Includes damage to boats and fishing gear; **70 percent of rooms were assumed to need repair, at the average cost of repair of $2,000; ***Small businesses were assumed to suffer an average damage of $4,000; ****Own-account workers were assumed to suffer an average damage of $500.

### Table 3: Statistics on Affected and Displaced Populations by District

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Affected Families</th>
<th>No. of Displaced Families</th>
<th>No. of Displaced Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaffna</td>
<td>13,652</td>
<td>12,631</td>
<td>39,907</td>
</tr>
<tr>
<td>Killinoechi</td>
<td>2,295</td>
<td>318</td>
<td>1,603</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>...</td>
<td>6,007</td>
<td>22,557</td>
</tr>
<tr>
<td>Trincomalee</td>
<td>...</td>
<td>27,746</td>
<td>81,643</td>
</tr>
<tr>
<td>Batticaloa</td>
<td>63,717</td>
<td>12,494</td>
<td>61,912</td>
</tr>
<tr>
<td>Ampara</td>
<td>38,624</td>
<td>17,046*</td>
<td>75,172</td>
</tr>
<tr>
<td>Hambantota</td>
<td>16,994</td>
<td>3,334</td>
<td>17,723</td>
</tr>
<tr>
<td>Matara</td>
<td>20,675</td>
<td>3,268</td>
<td>13,395</td>
</tr>
<tr>
<td>Galle</td>
<td>23,174</td>
<td>10,109*</td>
<td>44,582**</td>
</tr>
<tr>
<td>Kalutara</td>
<td>6,905</td>
<td>6,905</td>
<td>27,713</td>
</tr>
<tr>
<td>Colombo</td>
<td>9,647</td>
<td>5,290</td>
<td>31,239</td>
</tr>
<tr>
<td>Gampaha</td>
<td>6,827</td>
<td>308</td>
<td>1,449</td>
</tr>
<tr>
<td>Puttalam</td>
<td>232</td>
<td>18</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>202,742</td>
<td>105,474</td>
<td>418,961</td>
</tr>
</tbody>
</table>

Source: Based on district figures published by DCS (7/25/05)
Notes: *: Staff estimates using the ratio of displaced persons to families for all affected districts, to substitute for missing/incorrect figures; **Figure as of 1/7/05
Note: The total numbers of displaced families and persons are different from DCS because of above estimates.

---

6 As of January 25, 169,000 individuals were living in welfare camps, while the rest were living with friends and relatives (Department of Census and Statistics, DCS, Government of Sri Lanka).
districts (Amparai and Batticaloa) are among the worst affected in the country.

6. The fact that some of the poorest districts in the country have been worst affected in terms of livelihoods lost implies a significant risk of sharp increases in poverty and the already high geographical inequality in the country. To mitigate such risks, a timely and effective livelihood support program is urgently needed for reviving economic activities and protecting the most vulnerable in the immediate aftermath of the disaster.

B. RECONSTRUCTION AND RECOVERY NEEDS

7. With regard to livelihoods, the estimated damages suffered are so large (see Table 2) that the assistance provided through this operation is inadequate to address all the needs. A disaster of this magnitude – that has affected all types of public and privately-owned assets critical for economic activity and employment – calls for not only assistance in the form of resources, but also a multi-sectoral approach. The livelihood support suggested below – which is targeted towards the most vulnerable households and enterprises in the affected communities – will be effective if complemented by adequate investments in rebuilding public infrastructure (e.g., roads, ports and railways) and provision of housing for affected families. For example, viability of certain types of interventions like public works may need to await provision of temporary shelters because some communities rightly perceive this as their most urgent need and the first step towards their rehabilitation.

8. Given the resource needs, the coordination of different donor-supported projects and alignment with Government strategy for reconstruction are essential to ensure that available resources are utilized efficiently for maximum impact. The proposed livelihood support components will fill the gaps in the broader efforts by donors and Government. The components of livelihood support proposed below and the institutional arrangements for their implementation are consistent with the broader strategy being proposed in the Rapid Income Recovery Program (RIRP) – a multi-donor effort by the ILO, UNDP and the World Bank currently in progress. The RIRP will assist TAFREN to coordinate reconstruction activities by outlining a strategy focused on livelihood rehabilitation.

9. In addition, the different components will be structured to ensure flexibility in implementation and the activities will be sequenced to address the specific needs of the affected areas.

C. PROPOSED COMPONENTS

10. Addressing the objective of rebuilding livelihoods and reviving the local economies of affected areas necessitates a multi-pronged approach that rebuilds assets to generate income and employment, and at the same time protects the most vulnerable members of the community. The program design would need to address the overlapping needs across these different instruments in relation to the targeted communities and the heterogeneity of the population within these areas. Since the impact of the disaster is not uniform across affected districts and communities within districts, the overall support for livelihoods will ensure broad consistency with needs across communities as guided by the diagnostics in the damage and needs assessment. Furthermore, targeting of the different components will ensure minimum exclusion of those who are the neediest among the affected population.
11. The livelihood support will consist of three sub-components: (i) cash grants provided as temporary social protection for affected families; (ii) public works to generate temporary employment; and (iii) financing of micro-enterprises affected by the disaster.

Cash Grants

12. The first sub-component – namely, pure cash transfers – will focus on the tsunami-affected families who have lost their capacity to earn a livelihood. This category will consist of all who are displaced. This is easily verifiable and a powerful indicator of vulnerability.7

13. The cash grants will be paid to the target group described above for a period of up to four months, after which it is expected that economic activity will pick up resulting in people finding employment, for example in the reconstruction of major infrastructure and revived enterprises. A beneficiary will exit from the program before four months if he/she finds employment. The program will begin with the list of beneficiaries drawn up by the government, which according to the government consists of all displaced families. Additional criteria to identify the most needy among the displaced will be developed and agreed upon with the government, and the number of beneficiaries will be adjusted on applying such criteria during the four-month period. The beneficiary lists will be validated through a community validation process and periodic monitoring. It is also expected that the especially vulnerable among affected families – i.e., those headed by widows or elderly people, with disabled members, orphans, etc. – may need extended support in the form of continued cash assistance for a longer period. After four months – when the cash grant program terminates – such beneficiaries will need to be integrated into the regular public sector social welfare programs.

14. The GOSL has set the grant amount at a maximum of LKR 5,000 per month per household (LKR 2,500 per month for a single-headed household).8 This amount is actually higher than the food (or extreme) poverty line, which in Sri Lanka is about LKR 1,500 per person, per month.

15. The implementation plan will be based on community participation, where community organizations will play a key role in identifying beneficiaries. At the same time, the implementation arrangements will have to be flexible, since the impact of the tsunami may have resulted in fragmentation of communities and social networks. This may make it difficult to implement community-based arrangements from the very beginning, and the community’s role may be initially limited to validation of existing lists of beneficiaries. An independent verification system of beneficiaries will be established, similar to the method that involved UNHCR for the identification of IDPs in the North and East.

Public Works

16. The second sub-component of livelihood support – namely, public works to rebuild community infrastructure – is intended to provide income to those who are able and willing to work but are unable to find employment in affected areas. This program is scheduled to begin after the cash grants program ends – i.e., after a period of four months. The design should ensure that the menu of public works selected are labor-intensive, based on the needs of specific communities, and produce infrastructure that is owned and managed by communities or the Government. This program will pay a cash wage to participate in largely

---

7 “Displaced” includes all those in welfare camps, living with friends or relatives, or in temporary shelters.

8 According to a circular from MOF (issued on 1/17/05) to the District and Divisional Secretaries of tsunami-affected areas, the Divisional Secretaries have been asked to identify grant-eligible families/ persons, so that the funds can be disbursed through commercial banks.
unskilled work activities, such as debris removal, repair of community water supply and sanitation schemes, repair or construction of public buildings (e.g., community centers and schools) and minor road repairs.

17. The key design features of the public works program will be guided by a few basic principles derived from international best practices. The most important of these principles is for such a program to be "self-targeted", where wages are not set above the prevailing market wage for unskilled labor to ensure that those who are able to work and have lost their livelihoods among the communities "self-select" into the program. In Sri Lanka, the wages for unskilled workers will be set above the minimum wage but below the district market wage for such work (expected to be in the range of LKR 200 to 300). Other key guiding principles include: (i) the share of the wage bill in total cost should be as high as possible; and (ii) the budget of the program protects resources for asset maintenance, at least for the duration of the project, after which it is expected that the Government or the community will take responsibility.

18. Sri Lanka currently does not have a public works program that can be adapted to address the post-tsunami situation. This is indeed the reason to start on a smaller scale, for scope for expansion as necessary. The public works component will rely on communities and NGOs for the identification of feasible projects to support under this program. Administrative arrangements will be firmed up in the coming weeks, in coordination with other stakeholders, notably the ILO.

Financing Micro-Enterprises

19. Complementing initiatives by other donors, Government and the chambers of commerce, this component will consider allocating resources to micro-enterprises – self-employed and small, family businesses – in the tsunami-affected areas, helping them resume their business operations interrupted by the disaster. The program could also include training and business services to selected borrowers, so as to maximize their business success. It is foreseen that the component will provide grants and/or loans to different types of institutions extending credit to micro-enterprises, including cooperative (thrift and savings) societies. To improve the long term credit capacity of these institutions, the resources collected by these institutions as repayments will be used to expand their revolving credit funds.

20. It is envisaged that grants would be provided to MFIs, which would on-lend the resources to end-borrowers, including fishermen. It is proposed that loans will have an overall upper limit of LKR 100,000 to ensure targeting of micro-enterprises without resources being spent on large loans. Apart from that, the participating institutions will, based on their own client assessments and criteria, select end-borrowers, and determine loan amounts and their terms and conditions. This will not only simplify program administration, but will also enable a rapid injection of badly needed financial resources. Participating institutions will, in turn, be encouraged to consider expanding their membership and areas of services, while adhering to sound long term planning and careful selecting of new members and areas to instill the necessary trust between the lender and the client. Group loans will be allowed for certain categories of borrowers, especially with regard to fishing cooperatives.

Implementation Arrangements

21. **Cash Grants.** The cash grants will be implemented using the existing list of beneficiaries drawn up by the Divisional Secretaries (to distribute the LKR 5,000 grant) as the starting point. This list will be validated through a series of steps explained below.

22. First, a simple cross-check of the list will be conducted against the electoral list (that clarifies the domicile of each beneficiary in the relevant *Grama Niladhar* (GN) division) of the affected communities and any other relevant list, to minimize exclusion and leakage. Community-validation of the beneficiary
lists will take place by mobilizing communities to form representative committees that will include representatives of affected members, community elders (such as religious leaders or teachers), and representatives from cooperatives and community-based organizations. Initially, these committees will validate existing lists of beneficiaries, but over time they are expected to play a more pro-active role of identifying beneficiaries and updating the lists. This committee should be facilitated by Government officials like GNs by providing necessary information and operational assistance. Where such committees already exist, the project will build on existing frameworks; for instance in the North and East, existing Village Rehabilitation Committees (VRCs) set up under the North East Emergency Reconstruction Project (NEERP) could be adapted to suit the needs of this program.

23. A specific set of criteria for candidates for the cash grant (displaced, loss of an earning family member, and criteria to minimize duplication with other public sector cash relief programs) will be provided as guidelines to these committees. The committee's role will be to identify the beneficiaries to whom these criteria apply and distribute the cash grants. Before payments are made, accounts for each beneficiary family will be opened in financial institutions or possibly post offices. During that process, temporary identity cards to beneficiaries will be issued – for those who have lost their formal identifications – to facilitate and track payments to each beneficiary. Validation mechanisms using the previously mentioned UNHCR model will be established.

24. It is calculated that a cash grant program that targets displaced families for four months will cost around US$20 million, but the final cost will depend on the application of a more selective criteria which will reduce the number of beneficiaries over the period. Financing by IDA of the cash grant program will be contingent upon verification of benefits actually reaching the beneficiaries – through auditing of the special window created for this purpose in commercial banks – against the lists of beneficiaries submitted by the relevant authorities. It was agreed that a unit under TAFREN will be created to facilitate preparations for program implementation and targeting. Staff will be in place within this unit by the end of February 2005. Eligibility criteria developed will also ensure that the largest benefits go to the worst affected communities.

25. Public Works. The public works component will be implemented through direct financing of communities, represented by the community committees as described above, whose role will be to select and propose the sub-projects to be financed, and organize the public works sub-projects in their communities.

26. The disbursement for public works to affected communities will take place against an accepted sub-project proposal from the community committees for various public works. Specific community interventions will first take the form of a sub-project proposal to be carried out by the community and will identify objectives, timing for implementation, resource requirements and design parameters. Acceptance and implementation of the sub-project proposal will be summarized in a simple contract signed between the community and the Government and will provide a basis for disbursement against a community grant. Grants to communities will be allocated against a menu of public works and only include investments for community and Government-owned or managed infrastructure. Cash will also be provided to finance additional materials needed to enable sub-projects to address a broad range of community needs, provide supplemental labor payments, or to contract in technical assistance.

27. For the reasons described above – namely, the impact of the tsunami on communities – in some cases it may be necessary to assist communities in identifying appropriate public works. One way to address this will be to have the district level committees actually identify works for communities in coordination with relevant provincial line ministries.
28. **Financing Micro-Enterprises.** In designing the component, several guiding principles about MFI good practice should be followed: (i) the intimate knowledge by MFIs of their activity areas will be exploited to provide information about the financial needs of their members; and (ii) MFIs will not be asked to provide loans at a lower interest rate than what they use for their regular product, as such a practice would impair credit discipline and could have disastrous consequences for the whole industry. In cases where providing grants is considered as boosting creditworthiness, the payment channels of grants will be different to those used regularly by MFIs. In addition, it will be made absolutely clear that this is a one-time, temporary activity, due to exceptional circumstances. The project will also avoid setting targets for disbursement or number of clients served.

**D. INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION**

29. Implementation of the overall program will be managed through a committee system functioning at the national, district and community levels, which will bring together key Government departments, with technical assistance from international and non-governmental agencies as needed. While being governed by the same institutional processes, the loan part of the micro-finance component will only rely on the apex and district structures. Given the community-based approach in implementation, most of the operational decision-making and facilitation will be coordinated at the district level. Accordingly, District Coordination Committees (DCCs) will be set up and will assist the District Task Forces in evaluating public works proposals from communities and monitor beneficiary lists by applying the program guidelines. The DCC will comprise technical and administrative staff from the district administration as well as provincial line ministries. The representatives of the provincial line ministries in the DCC will provide technical guidance and coordination across public works projects proposed by communities. This is particularly important since many of the activities that may be identified as candidates for community-based public works are actually implemented by the provincial governments.

30. Oversight of the overall livelihoods program will reside in a Steering Committee set up by TAFREN, which will be responsible for policy direction, broad budgetary allocations (across affected districts), and the establishment of project approval guidelines. The Steering Committee will comprise representatives from relevant central line ministries and Provincial Councils, and will be supported by a Program Management Unit (PMU). The PMU will be responsible for coordination of operations, provision of technical advice, production of the necessary operational guidelines, capacity building of DCCs and community committees, monitoring and evaluation of community projects and cash grant program, and the contracting of relevant international and NGO expertise to support the above-mentioned activities as necessary. The PMU will also be responsible for reporting regularly to the relevant international donors and Government regulators on the progress of the program.

31. **Financial Arrangements.** Since both the public works and the cash grants programs will largely be managed by the communities, the flow of funds to the beneficiaries will occur in the following manner: the community committees will submit sub-project proposals and the list of beneficiaries to DCCs, which will review and validate the eligible lists and proposals. The funds will then be transferred to the accounts created for beneficiaries in a local bank or post office.

**E. KEY INDICATORS, MONITORING AND EVALUATION ARRANGEMENTS**

32. For intermediate indicators, monitoring arrangements will comprise: (i) the managerial monitoring by the PMU; and (ii) operational spot-checks. For managerial monitoring, the PMU will have program monitors who will visit the communities to check the functioning of the delivery mechanisms. The operational spot-checks will be conducted at regular intervals by an independent agency to check the effectiveness of the delivery mechanism. The independent monitors will produce periodic reports every three months that will inform the PMU to adjust the operation of the program as necessary. For long term
impact indicators, Sri Lanka conducts regular household, labor force and demographic surveys to track the suggested indicators. In addition, the DCS is conducting a baseline census of affected areas that records various measures of vulnerability and losses post-tsunami. Follow-up surveys that are planned will provide the data to measure the impact of the program. A logframe summarizing the objectives, key performance indicators, and data collection strategy is provided below.

<table>
<thead>
<tr>
<th>Hierarchy of Objectives</th>
<th>Indicators</th>
<th>Means of Verification</th>
<th>Risks and Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal:</strong> To protect the vulnerable and rebuild livelihoods in tsunami-affected areas</td>
<td>Sustainable employment and resumption of economic activity in affected areas</td>
<td>Labor force surveys and household surveys, reports of participating MFIIs</td>
<td>Broader economic recovery and rebuilding of major infrastructure</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>➢ To transfer resources to maintain minimum basic needs; to rehabilitate communal assets</td>
<td>➢ Improvements in poverty measures, and child and women’s health and nutrition indicators; reduction in the levels of displacement</td>
<td>➢ Household and demographic surveys; investment climate surveys (subject to follow-up of 1st round of these surveys)</td>
<td>➢ Community capacity to implement; management capacity of the PMU</td>
</tr>
<tr>
<td>➢ To rebuild productive assets for sustainable employment</td>
<td>➢ Increase in ownership of productive assets; reduction in levels of indebtedness</td>
<td></td>
<td>➢ Providing grants without damaging the credit culture</td>
</tr>
<tr>
<td>Output from each component:</td>
<td></td>
<td></td>
<td>➢ Ensuring repayment of loans</td>
</tr>
<tr>
<td>➢ Cash transferred to the beneficiaries; participation in public works; basic infrastructure rehabilitated; M&amp;E progress reports produced and shared</td>
<td>➢ No. of households benefited; amount of money transferred; no. of completed projects approved and completed; no. of person-days of employment generated; no. of community infrastructure rehabilitated</td>
<td>➢ Project reports from MIS, Reports of participating MFIs</td>
<td>➢ Operation fails to follow guidelines and manuals, or training is inadequate</td>
</tr>
<tr>
<td>➢ Assets of micro-enterprises restored and their jobs recreated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>➢ Long-term growth potential of MFIs strengthened</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX IV – IMPLEMENTATION CAPACITY BUILDING

1. As Sri Lanka prepares to implement major tsunami reconstruction and recovery activities with various development partners, it is essential that existing implementation capacity is enhanced and augmented to meet the heightened demand for project management and oversight. Thus, IDA will provide US$5 million to finance a capacity strengthening program for major reconstruction efforts. Although implementation arrangements are still in the process of being finalized, costs and activities have been determined based on the anticipated implementation structure reflecting the current status of discussion. The proposed component for implementation capacity building intends to expand current capabilities both at the central government level and within the affected districts to plan, implement, and supervise reconstruction activities across all sectors. Individual capacity building exercises that relate to specific sectors are listed in the technical annexes as project sub-components.

2. This component would support: (i) the provision of human resources and consultancy inputs at the central and district levels; (ii) a continuous social impact assessment; (iii) the design and delivery of training programs for district administrators on financial management and streamlined implementation processes; (iv) the provision of information technology connectivity and the establishment of management information systems (MIS); and (v) the supply of basic office supplies and infrastructure and urgently needed vehicles.

Human Resources

3. It is envisaged that the Task Forces chaired by the District Secretaries will implement a large portion of the emergency reconstruction program. These Task Forces need to be strengthened by qualified personnel and technical expertise at the district level and at the central level within TAFREN to administer and monitor reconstruction programs at the national level. To meet this need, IDA will support the recruitment of district directors, implementation specialists, financial management specialists, MIS specialists, and support staff on a contractual basis as necessary in each of the affected district’s and at the central level to build immediate capacity. In addition, environmental engineers and social experts will be hired to ensure proper social and environmental management actions are taken during reconstruction. Staffing arrangements will be fine-tuned according to implementation needs. Attached is a chart that outlines the structure of TAFREN and corresponding District Task Forces that will be supported by this component.

Social Impact Assessment

4. To address social issues raised during the recovery period, a continuous social impact assessment (CSIA) will be undertaken to facilitate the articulation of community perceptions, grievances and feedback. The CSIA will help monitor the social dimensions of the emergency recovery program and flag potential risks. Through direct interaction with beneficiary communities, it will carry out an independent evaluation of program implementation and distribution of program benefits. The CSIA study will monitor the impact of the program and help initiate necessary mitigation measures, with a special focus on ethnic and religious equity among all affected communities.

5. TAFREN will contract an independent research institution to undertake the CSIA. The CSIA reports will be submitted to the Steering Committee, which will distribute the report to the national and local partners for necessary action as well as to funding partners and to the public.

---

9 Direct capacity building will be provided to Task Forces in the nine most affected districts in the North, East, South and West.
Training Programs

6. In order to develop the skills of existing and new staff within each of the task forces, IDA will finance training programs on topics such as procurement guidelines, information technology and MIS, implementation arrangements, operations management, environmental and social safeguards, and financial management at the central and district levels. In addition, the National Procurement Authority (NPA) will conduct several programs to enhance the procurement capabilities of the implementing agencies and the decision-making authorities.

Information Technology and Management of Information Systems

7. Information technology (IT) systems must be put in place for communication among various levels of government, as well as for knowledge sharing and monitoring of on-going programs. An MIS must be put in place to provide a platform for collecting and disseminating information on program implementation across the districts. This information technology/MIS sub-component also aims to strengthen information management capacity and knowledge-sharing both horizontally and vertically among TAFREN and the Provincial and District Task Forces. The MIS will also allow for standardization of program reporting and monitoring between sectors. To facilitate this information technology program, IDA will provide funding for IT staff costs, software and database management, and IT hardware. Government accounting systems generate expenditure information along the lines of the expenditure classification in the public sector budget. However if further classification of expenditure is required to meet reporting requirements of the various stakeholders, IDA will also finance the establishment of a simple computerized accounting system within TAFREN. This component also covers overhead expenses related to information technology, such as Internet connections and phone lines.

Office Supplies and Infrastructure

8. Alongside the soft components needed for implementation capacity building, hardware – such as office supplies and furniture, computers, software programs, vehicles, and other office infrastructure – are urgently needed to allow the Task Forces to begin working efficiently and effectively with one another. This component encompasses overhead expenses, including rent, utilities, and other routine operating costs.

Table 1: Estimated Costs of Capacity Building Activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount Allocated (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Information technology</td>
<td>700,000</td>
</tr>
<tr>
<td>Office equipment and vehicles</td>
<td>700,000</td>
</tr>
<tr>
<td>Social impact assessment</td>
<td>300,000</td>
</tr>
<tr>
<td>Training programs</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,000,000</strong></td>
</tr>
</tbody>
</table>
APPENDIX V – HEALTH

A. OVERVIEW OF DAMAGE

1. Damage to the health sector caused by the tsunami has been substantial, including the loss of health infrastructure and health personnel, and has created a breakdown of the health system in the affected districts. Physical infrastructure losses include at least 92 partially or fully damaged health institutions. These included hospitals, drug stores, cold rooms, preventive health care offices, health staff accommodation facilities, and district health offices. In addition, a large number of vehicles (ambulances, lorries, vans, double cabs, and motorbikes) and the majority of the medical equipment and office equipment in the affected areas were totally destroyed. The loss of health personnel includes medical officers, nurses, midwives, and other support staff. Furthermore, a large number of health staff were injured and traumatized by the event, as many lost their families, belongings, and homes.

2. These losses have resulted in a virtual breakdown of the health system. This encompasses the: (i) inability to deal with the main curative and preventive activities, including mental health; (ii) breakdown of the medical supply collection/storage/distribution system; and (iii) disruption of community channels and networks for community care, health promotion, and prevention. This lapse in the health care system affects both the displaced and non-displaced populations living in coastal areas.

3. The estimated cost of replacing damaged and destroyed physical infrastructure is approximately US$59 million. This estimate does not include the short and medium term costs required to address transitional arrangements that need to be put in place to restore health services. Furthermore, it does not include the cost of loss of health personnel or the traumatized health staff who survived the ordeal, or the additional service needs required by the majority of affected and displaced people (such as for psychosocial support, additional drugs and supplies, additional expenses related to epidemic preparedness, and disease surveillance).

B. OTHER OBSERVED IMPACTS

4. The health sector losses also impacted other social and environmental sectors. In terms of the social sector, special support systems are needed for the vulnerable groups of people following the loss or breakdown of family support systems available prior to the disaster. Among the new groups of vulnerable people that need specialized care are newly-orphaned children, adults who lost family members, the elderly, chronically ill patients who were receiving regular health care prior to the disaster, and the survivors of the tsunami who have been traumatized by the disaster.

5. Environmental impacts to the health sector following the tsunami include the threat of epidemics due to the accumulation of waste and garbage in temporary housing facilities and due to delayed collection and disposal of debris in affected areas. These conditions can create an environment conducive to the spread of vector borne diseases, including Filariasis, Dengue fever, as well as food and water borne diseases like typhoid, dysentery, hepatitis, and cholera.

C. RECONSTRUCTION AND RECOVERY NEEDS

6. The immediate need is to make basic health care services available to affected people (including the displaced). Measures need to be taken to provide clean water into the welfare camps and to health facilities. It is also essential to address the prevention of communicable diseases (especially vaccine preventable and vector borne diseases) among the affected. The tsunami caused considerable trauma to those affected, and a holistic program addressing the psycho-social needs of the affected should be
implemented to address these issues. In addition, existing undamaged health institutions need to be equipped to provide expanded curative services. Temporary facilities that can provide care to additional patients must be established during the recovery period. In the medium term, it is necessary to reconstruct and re-equip the health institutions damaged due to the disaster. The estimated total cost of rehabilitating the health sector, including the provision of medical equipment and vehicles, is approximately US$84 million.

D. PROPOSED PROJECT COMPONENTS

7. Following the tsunami disaster, the health sector has been supported by many other donor agencies, including bi-laterals and multi-laterals, such as the UN Agencies. In addition, many local and international NGOs and private sector companies are providing support. It is not clear whether IDA resources will be needed to finance the recovery of the health sector. If it does become necessary to utilize such resources, health sector support will be comprised of three main activities: (i) strengthening/renovating existing health care delivery services; (ii) supporting additional preventive, promotive and rehabilitative health needs; and (iii) reconstructing and re-equipment of partially or fully damaged health institutions.

Strengthening/Renovating Existing Undamaged Health Care Delivery Services

8. This activity would support the strengthening/renovation of existing undamaged health care delivery services to absorb the service capacity of damaged facilities. The health institutions considered under this component will be those institutions that have been not identified by other donors for support, but have been recognized as needing strengthening or renovation by the provincial and district health authorities in consultation with the Ministry of Health (MOH).

Supporting Additional Preventive, Promotive and Rehabilitative Needs

9. In this area, the MOH and the affected districts through the respective Provincial Councils would be able to meet other preventive, promotive, and rehabilitative health gaps identified during the recovery period. Furthermore, the MOH will be able to support the: (i) Health Education Bureau in order to strengthen health education measures required in many of the affected districts; (ii) Logistics Unit to hire consultant services to coordinate, monitor, and support the construction of hospitals funded by other donors; (iii) Biomedical Engineering Unit to coordinate, procure and maintain essential medical equipment requirements; (iv) Medical Supplies Unit to improve its facilities and restore the drug supplies for the affected areas; (v) rabies control program to improve activities in affected districts; and (vi) Epidemiology Unit to improve monitoring of disease surveillance, emergency preparedness, and disaster mitigation activities.

Repair, Reconstruction and Re-equipment of Partially or Fully Damaged Institutions

10. Under this support, the MOH, provincial, and district health authorities would reconstruct, re-equip, and provide equipment and medical supplies to partially or fully damaged health facilities not supported by other donors.

Key Performance Indicators

11. The objective of supporting the health sector is to re-establish a better performing health care delivery system by strengthening the preventive, promotive, rehabilitative and curative health care services provided to the population living in the tsunami affected areas.
12. Key performance indicators include both overall performance and district-specific performance. With reference to the indicators below: (i) the curative health care delivery system is defined as the total number of curative health care facilities that were non-functional after the disaster; (ii) a district that has re-established curative care services would be a district that has re-established all units that were non-functional after the disaster; (iii) the preventive health care delivery system is defined as the total number of preventive health care facilities that were non-functioning following the disaster; and (iv) a district that has re-established preventive health care services would be a district that has re-established all preventive health units that were non-functional after the disaster.

13. Overall performance indicators include:

- Percentage of districts with re-established curative health care delivery system; and
- Percentage of districts with re-established preventive health care system.

14. District-specific performance indicators include:

- Percentage of health institutions re-constructed by district (from the identified number of health institutions damaged in each district);
- Percentage of health institutions re-functioning (re-established) by district (from the identified number of health institutions not functioning in each district); and
- The percentage of existing health institutions strengthened by district (from the identified number of institutions in each districts).

Policy Issues

15. The curative health sector is usually delivered through a range of public sector health care institutions, ranging from central dispensaries to teaching hospitals, with each level providing a higher level of care. During the recovery process, it is necessary to maintain the MOH policy related to the re-establishment of various levels of hospitals in different areas in order to avoid an unplanned, ad hoc selection of hospitals for upgrading.

Implementation Arrangements

16. The implementation of the proposed activities will be carried out through the central MOH and the provincial and district health authorities in the relevant provinces.

17. The provincial component of the project will be implemented by the North East and Southern Provincial Councils. The activities that need to be addressed under this component will be prepared by the respective Deputy Provincial Directors of Health under the Direction of Provincial Director Health Services and in consultation with the MOH as a Tsunami Recovery Health Sector Plan. The plan will be submitted through the regular channels in the Provincial Council to the Finance Commission and to the MOH. The Finance Commission will then recommend to the Ministry of Finance the release of resources for these activities to the two provinces.

18. The central component of the project will be implemented by the MOH. The activities that need to be addressed under this component will be prepared and submitted to the Ministry of Finance by the Secretary of Health in consultation with the respective units of the MOH.
Monitoring and Evaluation

19. The provincial and centrally managed sub-components will be monitored by using the key performance indicators presented above. The required data for measuring these indicators will be extracted from the existing health information system. The progress will also be assessed by an independent team of specialists at the end of a six month period and thereafter.
APPENDIX VI – EDUCATION

A. OVERVIEW OF DAMAGE

1. The tidal waves that swept over the coastal areas of Sri Lanka on December 26, 2004 damaged 168 schools, 4 universities and 18 vocational training and industrial training centers. About 80,000 students, 330 teachers and 50 principals were directly affected by the tsunami. In addition, many more children, teachers and principals in the coastal areas have likely suffered psychological trauma, although this is more difficult to measure and quantify. Also, welfare camps were set up in about 275 schools to provide temporary shelter for displaced individuals.

2. The total cost of the damage to the education capital stock, according to preliminary estimates, is approximately US$25.8 million. The major proportion of damage has been to primary and secondary schools, which account for over 90 percent of institutions damaged and about 92 percent of the estimated cost. Buildings in about 59 schools have been completely destroyed. Further, according to the Ministry of Education (MOE), around 91 schools which have been destroyed or damaged and are located too close to the seashore may have to be relocated and reconstructed. The damage to schools includes buildings, equipment, machinery and tools, furniture, books and other library resources, and consumable teaching materials such as chemicals, chalk and white-board pens. Universities have suffered damage to lecture halls, administration buildings and hostels. Vocational training and technical education institutions have experienced damage to lecture halls, workshops, equipment, machinery and tools, and residential facilities.

3. The regional pattern of destruction shows that the largest number of damaged schools are located in the Amparai district (38 schools), followed by Batticaloa (33 schools), Trincomalee (27 schools), and Galle (22 schools). Also in terms of costs, the Amparai district is the worst affected, with about US$6.7 million worth of damage, followed by Batticaloa with US$3.9 million of damage, then Galle with US$3.6 million, and Trincomalee with US$2.7 million. Nearly all public schools operate in a matrix management structure between the MOE and the Provincial Councils.

4. Universities located in the districts of Matara, Batticaloa, Amparai and Jaffna have also suffered damage, with Jaffna University suffering the worst damage in terms of cost. These universities have played a key role in fostering academic excellence in regions with a history of conflict. However, it should be noted that these universities are mapped to the central university grants commission and do not report to any regional administration.

5. Additional information regarding the damage to the Sri Lankan education system and its infrastructure is available in the joint ADB/ JBIC/IDA preliminary damage and needs assessment released on February 2, 2005.

B. OTHER OBSERVED IMPACTS

6. Other impacts of the tsunami can be observed, but are hard to measure and quantify. Students, teachers, principals, university academics and education administrators have clearly suffered serious psychological trauma, and physical and social losses. Over the short and medium term, considerable counseling will be required, especially among students who have lost family members and in schools which have suffered large losses. In addition, the special learning needs of such children will have to be studied and appropriate remedial teaching introduced to schools, which will require training of teachers in the special learning needs of traumatized children.
7. The loss of time spent in classroom learning is also an important loss of output. This is especially serious in grade 11 and 13, where students are preparing to sit the General Certificate of Examinations Ordinary Level (GCE O/L) and the General Certificate of Examinations Advanced Level (GCE A/L). These are certifying examinations, as well as selection examinations for various types of vocational training, technical education and, at the GCE A/L stage, for university entrance. The damaged schools, as well as schools used as welfare centers, have not been able to commence the academic year on schedule, which places students in these schools at a clear disadvantage in taking these exams.

C. RECONSTRUCTION AND RECOVERY NEEDS

8. Clearly, the most urgent need is to repair schools, universities, and vocational training and technical education institutions wherever possible. All universities can be repaired immediately, as the extent of damage is fairly minor. In addition, undamaged schools being utilized as welfare centers for displaced individuals need to be cleared and so that classes can recommence as quickly as possible. Where reconstruction of other education institutions is likely to be delayed, either due to the extent of damage suffered or the need to relocate the school/training institutions to new locations, alternative arrangements need to be made to accommodate such students in other institutions. Where this is not possible, temporary shelters to conduct lessons should be provided.

9. Over the medium term, the destroyed or badly damaged schools need to be rebuilt with due regard to ethnic balance in the identification of candidate schools. This will involve reconstructing or building new classrooms, science laboratories, libraries, aesthetic units, administration blocks, and furnishing and equipping such facilities with appropriate technology, machinery and tools, and books and providing basic services, such as electricity, water and sanitation. Schools will also need basic protection, such as gates and walls. Repairing vocational training and technical education institutions would involve rebuilding lecture rooms, workshops, administration buildings. In addition, furniture, equipment, machinery, and tools would have to be supplied to these facilities. The cost of reconstructing schools and vocational training and technical education institutions with quality upgrading, and restoring the damaged universities, is estimated to be about US$50 million.

D. PROPOSED PROJECT COMPONENTS

10. Resources for the reconstruction of the education sector will come from several donors, including the ADB, JBIC/JICA, donors in UN system, and bi-lateral partners. The MOE has currently signed memoranda of understanding with several donors, including civil society organizations, to reconstruct all of the damaged education institutions. The IDA funds would be kept in reserve to fill any funding gaps that arise in education reconstruction. If necessary, the IDA support would assist the Government to rebuild, equip and upgrade the quality of schools affected by the tsunami, either through damage caused by the tidal waves or through their use as shelters for displaced persons. IDA assistance would potentially support: (i) architectural, engineering and consultancy services and the monitoring of education outcomes; (ii) civil works; and (iii) equipment, technology, machinery and tools, books and reading material, and essential school furniture. The development objective is to restore the tsunami-damaged capital stock of the education system, with quality upgrading, so that equitable access to basic, secondary, and tertiary education and training is restored to pre-tsunami levels.

Policy Issues

11. An important policy issue arises regarding the Government’s consideration of a plan that could lead to the relocation of schools. Schools should only be relocated in line with predicted enrollment patterns flowing from the relocation of the population. If such population relocation does not occur, relocation of schools should be undertaken with great caution so that children are not denied access to
education. Further, if new land is required for relocated schools, as far as possible the Government should utilize state-owned land for construction in order to forestall the need for social and environmental assessments prior to donor financing of school reconstruction activities.

<table>
<thead>
<tr>
<th>Development Objective</th>
<th>Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
</table>
| Restore equitable access to education and training to pre-tsunami levels, and improve quality in line with the rest of the country. | • Net enrollment and retention by education and training institution.  
• Learning levels and examination success rates education and training institution. | Outcome information will be used to determine whether modifications to the program strategy are required and to adjust funding appropriately. |

<table>
<thead>
<tr>
<th>Intermediate Results</th>
<th>Results Indicators</th>
<th>Use of Results Monitoring</th>
</tr>
</thead>
</table>
| Complete rebuilding of all damaged education and training institutions, with suitable quality upgrading of facilities and services. | • Number of target schools fully functional.  
• Number of target universities fully functional.  
• Number of target training institutions fully functional. | Below target achievement will signal potentially serious delays and shortfalls in program implementation, which will point to the need for urgent corrective action. |

### Implementation Arrangements

12. The proposed national authority for tsunami reconstruction – TAFREN – will coordinate with MOE and relevant Provincial Education Authorities on reconstruction efforts related to the education sector. The repairs of schools and procurement of equipment and materials will be the responsibility of the MOE and the provincial education authorities, with large contracts handled at the central and provincial levels, medium-sized purchases made through the zonal education offices and small purchases at the school level. The repairs of universities will be undertaken by the institutions themselves, with funds channeled through the MOE. The funds made available through this operation will be routed through the Ministry of Finance (MOF) either to MOE or directly to the Provincial Ministries of Education of the affected areas, depending on their purpose. The direct transfer of funds will expedite disbursements and ensure fiduciary oversight at the central and provincial levels.

### Monitoring and Evaluation

13. The progress of education and training reconstruction activities will be monitored by the MOE and provincial education authorities. The monitoring arrangements set up by TAFREN will also be utilized for monitoring purposes, especially to identify implementation bottlenecks and strengthen program implementation. In addition, resources are available to assess the impact of reconstruction activities on student enrollment and retention, follow up of out-of-school children and attract them back to school, evaluate learning levels in tsunami-affected schools and develop policy initiatives to address any special learning needs of children. The MOE and provincial education authorities will be responsible for assessments and evaluation activities.
A. Objectives

1. The Environmental and Social Screening and Assessment Framework (ESSAF) provides general policies, guidelines, codes of practice and procedures to be integrated into the implementation of the IDA-supported emergency reconstruction operations in Sri Lanka. The emergency reconstruction operations will be supported in two phases: (i) Tsunami Emergency Recovery Program – Phase I; and (ii) Tsunami Emergency Recovery – Phase II.

2. The ESSAF has been developed to ensure compliance with the World Bank’s safeguard policies under the current conditions in Sri Lanka and is applicable to Phase I and Phase II of the Emergency Recovery Program. The Emergency Recovery Program (Phase I and II) has been prepared in accordance with the Bank’s OP 8.50 for Emergency Recovery Assistance. The objective of the ESSAF is to ensure that activities under the proposed reconstruction operations address the following issues:

- Protect human health;
- Prevent or compensate any loss of livelihood;
- Minimize environmental degradation as a result of either individual sub-projects or their cumulative effects;
- Minimize impacts on cultural property; and
- Enhance positive environmental and social outcomes.

B. General Principles

3. Recognizing the emergency nature of the proposed recovery and reconstruction operations, and the related need for providing immediate assistance while also ensuring due diligence in managing potential environmental and social risks, the ESSAF is based on the following principles:

- The proposed operations will support multiple sub-projects, the detailed designs of which may not be known at appraisal. To ensure effective application of the World Bank’s safeguard policies, the ESSAF provides guidance on the approach to be taken during implementation for the selection and design of sub-projects and the planning of mitigation measures;
- Although environmental category ‘A’ sub-projects are eligible for financing, it is not expected that there will be such sub-projects in the first year. In case any do occur, Environmental Assessments (EAs) for specific sub-projects will be prepared during implementation of the emergency operation, instead of before appraisal. Corrective measures in the form of an Environmental Management Plan (EMP), as described in Section H, will be built into either the emergency project or a future lending operation. The above is in accordance with paragraph 13 of OP 4.01 and paragraph 5 of BP 4.01;
- In view of the emergency nature of the operations, IDA will, in applicable instances, require a draft resettlement plan, in conformity with OP 4.12 of the World Bank, within two months after
identification of sub-projects and in advance of any resettlement. The voluntary donation or compensated contribution of land for sub-project activities will be guided by the “Guidelines for Land and Asset Acquisition, Entitlements and Compensation” included in the present framework;

- The proposed emergency reconstruction operations will finance feasibility and detailed design studies for these subsequent investments, which will include environmental assessments and social studies as required by World Bank safeguard policies;

- Sub-project design and sub-project selection will aim at maintaining regional balance and local equity among ethnic and religious groups. Employment opportunities within the sub-projects will be available on the basis of equal opportunity and professional competence, irrespective of gender or ethnic or religious group. In all sub-projects which require consultations with local communities or beneficiaries, consultations will be conducted to elicit the views of the male and female population; and

- Consultation and disclosure requirements will be simplified to meet the special needs of these operations. This ESSAF will be disclosed in the sector ministries, Divisional Secretariat Offices in the affected divisions, relevant Provincial Councils, the Central Environmental Authority (CEA), the World Bank InfoShop, and in other public places in Sri Lanka in English, Tamil, and Sinhala.

C. ENVIRONMENTAL AND SOCIAL SCREENING AND ASSESSMENT FRAMEWORK (ESSAF)

4. This ESSAF has been developed specifically for these proposed operations (Section A above) to ensure due diligence, to avoid causing harm or exacerbating social tensions, and to ensure consistent treatment of social and environmental issues by all donors and the GOSL. The purpose of this Framework is also to assist the Project Implementing Agencies in screening all sub-projects for their likely social and environmental impacts and in identifying documentation and preparation requirements, and prioritizing the investments.

5. **OP 4.01 Environmental Assessment.** Most of the proposed sub-projects are likely to focus on the repair, rehabilitation, reconstruction and upgrading (where necessary) of damaged houses, buildings, roads, railways, bridges and infrastructure of critical importance. Support will also be provided for mitigation measures related to reversing the adverse impacts of the tsunami on coastal ecosystems and reef systems. While the work in these areas will be done under OP 4.01, it is anticipated that OP 4.04 on natural habitats may be triggered as well.

6. Considering the nature and magnitude of potential environmental impacts from the relatively limited scale and magnitude of reconstruction works, the proposed operations are likely to be classified as category ‘B’. The requirement to carry out an Environmental Analysis as part of project preparation can be waived, but for sub-projects with potential adverse impacts, a limited Environmental Analysis will be conducted during project implementation. At the same time, prior to appraisal the implementing agency will agree to apply the following minimum standards during implementation: inclusion of standard environmental codes of practice (ECOP) in the repair and reconstruction bid documents of all sub-projects; review and oversight of any major reconstruction works by specialists; implementation of environmentally and socially sound options for the disposal of debris; and provisions for adequate budget and satisfactory institutional arrangements for monitoring effective implementation.

7. **OP 4.12 Involuntary Resettlement.** The need for involuntary resettlement or land acquisition in specific sub-project areas will only be known during project implementation, when site-specific plans are available. Therefore sub-projects will be screened for applicability of the resettlement policy. In view of
the emergency nature of the operations, IDA will, in applicable instances, require a draft resettlement plan within two months of the identification of sub-projects and implement the Resettlement Action Plan (RAP) in advance of sub-project implementation. The approval of the resettlement plan is subject to approval by IDA. Several issues will increase the complexity of land acquisition - the loss or destruction of ownership documents during the tsunami, the disappearance of physical markers of land boundaries, and the huge death toll resulting in inheritance issues involving vulnerable persons like widows and orphans. Furthermore, in the North and East some IDP groups may be experiencing a secondary replacement. The safeguards framework will therefore include procedures for identifying eligible project-affected people, calculating and delivering compensation, mechanisms for land dispute grievance redress, and for protection of the inheritance rights of vulnerable groups.

8. Although land disputes between private parties and refugees from war or natural disasters are not covered by OP 4.12, the policy does cover those displaced by the project’s activities. Even for those not covered by the policy, to ensure effective poverty reduction, it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse social impacts, particularly on poor and vulnerable groups. Well-documented consultation mechanisms will be required to establish eligibility for compensation. Absent refugees who later claim compensation will require clear legal remedies to resolve or adjudicate disputes.

9. **OD 4.20 Indigenous Peoples.** While OD 4.20 does apply to a number of reasonably well-defined groups in the interior, the issue of ethnic and religious affiliation is a larger factor in determining vulnerability at the national and local levels in the present Sri Lankan context. In the present post-conflict environment, special attention should be paid to avoid confounding inter-group conflict and animosities.

10. It is not expected that stand-alone Indigenous Peoples Development Plans (IPDP) will be required, as the Indigenous Groups, living mainly in the interior, are not affected by the present disaster. In light of the above situation, a potential vulnerability assessment of all affected groups is planned to ensure effective consultations and culturally appropriate benefits for each group, instead of focusing only on groups defined as “indigenous peoples”. As part of this analysis, sub-project preparation will assess the vulnerability of different ethnic groups in particular project contexts (in terms of potential exclusion from project benefits, negative project impacts, and the need for specific culturally compatible mechanisms for participation), and will incorporate adequate measures to address such vulnerability in project design.

11. **OPN 11.03 Cultural Property.** The emergency operation may pose limited risks of damaging cultural property, assuming they will not include large-scale excavations, movement of earth, or demolition. Nevertheless, in Attachment 2, a list is included that outlines attributes that will render sub-projects ineligible for support under the proposed emergency reconstruction operations. Furthermore, projects and sub-projects will be reviewed for their potential impact on cultural property, and clear procedures will be required for the identification and protection of cultural property from theft, and treatment of discovered artifacts, These procedures will be included in standard bidding documents. While not damaging cultural property, sub-project preparation may later identify and include assistance for preservation of historic or archeological sites. If these opportunities occur, cultural property management plans would be prepared for those sub-projects.

12. **OP 4.37 Safety of Dams.** There are no large dams that have been affected by the tsunami, since it affected a narrow coastal strip, even though it extended across about 80 percent of the coastline. However, there may be a few small irrigation schemes affected, particularly in the North and East of the country. These schemes may be associated with small earthen dams which are no higher than 5 meters. If affected, such dams may need reconstruction. Because of local site conditions, even restoring smaller, earthen dams and linked irrigation infrastructure (partly damaged or destroyed by the tsunami) will
require application of standard engineering safety codes, inspection and evaluation of their safety status, and preparation and implementation of operation and maintenance procedures. Decisions on dam safety requirements will be made with the concurrence of the World Bank.

13. **OP 4.04 Natural Habitats.** The reconstruction of housing outside the proposed setback of 100 meters (yet to be decided by GOSL) from the coastline will need large amounts of additional land. Due to the present population density in the coastal areas of Sri Lanka, identification of suitable land may be a problem. Considering that the South, North and East regions of Sri Lanka are endowed with large tracts of environmentally sensitive natural habitats, the conservation of such habitats is essential. The fact that areas where natural resources such as mangroves, sand dunes, and reefs were degraded or destroyed generally suffered more from the tsunami compared to areas where the natural barriers were intact, which highlights the importance of conserving natural habitats. Since the World Bank will not support sub-projects that involve conversion of critical natural habitats in areas such as Declared Forest Reserves, Wildlife Reserves and National Parks and Sanctuaries, an EA is required prior to initiation of the specific sub-project that may involve the conversion of natural habitats. Decisions on actions and requirements will be made with the concurrence of the World Bank.

D. **SAFEGUARD SCREENING AND MITIGATION**

14. The selection, design, contracting, monitoring and evaluation of sub-projects will be consistent with the following guidelines, codes of practice, and requirements. The North East Provincial Council, Sri Lanka Army and the LTTE will confirm that areas to be accessed for reconstruction and rehabilitation activities have been de-mined. The safeguard screening and mitigation process will include:

- Overall guidelines for environmental and social aspects of the Tsunami Emergency Recovery Program (Attachment 1). This provides guidelines for addressing potential environmental and social issues that are eligible for funding under Phases I and II of the Emergency Recovery Program. Typical activities envisaged to be financed are listed in the attachment, with typical environmental and social concerns and opportunities, as well as identification of typical environmental and social mitigation measures to be included in the sub-projects. There is a possibility that small and medium enterprises (SMEs) affected by the tsunami may be provided loans to purchase productive assets. An upper limit to the SME loans will be determined by IDA if this sub-component is included in the program. The checklists prepared for each sub-project will enable the preparation of detailed Environmental Management Plans;

- List of negative sub-project attributes (Attachment 2);

- A proposed checklist of likely environmental and social impacts to be filled out for each sub-project or group of sub-projects (Attachment 3);

- Guidelines for land and asset acquisition, entitlements, and compensation (Attachment 4);

- Procedures for the protection of cultural property, including the chance discovery of archaeological artifacts, unrecorded graveyards, and burial sites (Attachment 5); and

- A sample Environmental Safeguards procedures for Inclusion in the Technical Specifications of Contracts (Attachment 6).
E. ENVIRONMENTAL ASSESSMENT CLEARANCE PROCESS

15. The composite GOSL environmental clearance process, in principle, is consistent with World Bank environmental and public disclosure requirements. It has been agreed with GOSL that in view of the emergency situation, the Bank’s and GOSL environmental assessment clearance procedure will be harmonized. Therefore, CEA will ensure that the implementing agencies of sub-projects will adhere to the ESSAF. The CEA will be responsible for the GOSL review and clearance of the ESSAF.

16. Although the GOSL’s clearance procedure is adequate and fairly reliable, IDA will still review a samples of the EAs prepared under each sub-component and provide necessary concurrence for the approval of disbursements of funds.

E. RESPONSIBILITIES FOR SAFEGUARD SCREENING AND MITIGATION

17. The Government plans to transform the current Task Force to Rebuild the Nation into a Statutory Authority (TAFREN). This Authority would formulate the policies and act as the regulatory institution for all future disaster risk mitigation and emergency response activities. As a policy, this Authority will require that the ESSAF be adopted by all implementing agencies. This authority will coordinate all reconstruction efforts that are the responsibility of the central administration, i.e., major highways, railways, telecommunications, power and energy, national schools, and teaching hospitals. This Authority will ensure that all reconstruction activities undertaken by the central agencies conform to the requirements of the ESSAF. The Authority will also ensure that all reconstruction activities implemented by sub-national agencies adhere to the requirements of the ESSAF. Adequate technical capacity in the form of Environmental and Social Development Specialists will be available in TAFREN and relevant implementing institutions. Each implementing agency will therefore be responsible for applying the ESSAF to its own sub-projects. Within each implementing agency, a Safeguards Focal Point (SFP) will be identified with the responsibility for overseeing the implementation and monitoring of the Framework. The CEA is the environmental regulatory body with the statutory responsibility for evaluating and approving EIAs and initial environmental examinations (IEEs) with the assistance of respective Project Approving Agencies. CEA has demonstrated technical capacity to ensure the regulatory functions are effectively carried out.

F. CAPACITY BUILDING AND MONITORING OF SAFEGUARD FRAMEWORK IMPLEMENTATION

18. As part of the capacity building to be provided for implementation of the proposed operations, the Safeguards Focal Points and relevant staff of the concerned implementing agencies will also receive training in ESSAF’s application.

19. To assist in this capacity building, and to provide subsequent guidance and review of the ESSAF’s application, the World Bank and subsequently the GOSL will contract specialist services for environmental and social safeguards, as required. During supervision of these operations, the World Bank will assess the implementation of the ESSAF and recommend additional strengthening, if required. A comprehensive review of ESSAF’s application will be undertaken 18 months after effectiveness. At this stage the World Bank would make a decision whether to continue safeguards assessments under the ESSAF or revert to its normal safeguard processes.

G. CONSULTATION AND DISCLOSURE

20. This ESSAF is based on a strong participatory framework in undertaking all key activities in the emergency recovery phase. The GOSL will make all reasonable efforts to consult with relevant stakeholders (including the affected communities and NGOs, especially for sub-projects with potentially
significant environmental or social impacts) in the implementation of the emergency recovery activities, to incorporate local community needs, and to resolve conflicts. ESSAF will be shared by GOSL, with concerned nongovernmental organizations, civil society, and other development partners. It will be disclosed in Tamil, Sinhala and English by TAFREN on behalf of the GOSL, and it will also be made available at the World Bank's InfoShop. Relevant sub-project specific safeguard documents/mitigation plans prepared subsequently will also be disclosed to the public. All ESSAF related documentation will be affected in the respective Divisional Secretariat Offices and Provincial Councils and other implementing agencies in the affected areas.

21. The proposed operations may support a number of feasibility and detailed design studies for future infrastructure investments, for which World Bank safeguard policies on consultation and disclosure will apply. In particular, for environmental Category A and B investments proposed for future operations, the implementing agency will consult project-affected groups and local nongovernmental organizations on the project's environmental and social aspects, and will take their views into account. The implementing agency will initiate these consultations as early as possible, and will provide relevant material in a timely manner prior to consultation, in a form and language(s) that are understandable and accessible to all groups being consulted.

22. For Category A projects, the implementing agency will consult these groups at least twice: (i) shortly after the environmental screening and prior to finalization of the terms of reference for the Environmental Impact Assessment (EIA); and (ii) once a draft EIA report is prepared. For the initial consultation, the implementing agency will provide a summary of the proposed project's objectives, description, and potential impacts. For both Category A and B projects, the implementing agency will provide these groups with a summary of the EIA report's conclusions. In addition, the implementing agency will make the draft reports publicly available to project-affected groups and local nongovernmental organizations.

H. GUIDELINES FOR PREPARATION OF ENVIRONMENTAL MANAGEMENT PLANS

23. Having identified the potential impacts of the relevant sub-component, the next step of the EA process involves the identification and development of measures aimed at eliminating, offsetting, and/or reducing impacts to levels that are environmentally acceptable during implementation and operation of the project via an EMP. EMPs provide an essential link between the impacts predicted and mitigation measures specified within the EA and implementation and operation activities. World Bank guidelines state that detailed EMPs are essential elements for Category A projects, but for many Category B projects, a simple EMP will suffice. While there are no standard formats for EMPs, it is recognized that the format needs to fit the circumstances in which the EMP is being developed and the requirements it is designed to meet. EMPs should be prepared after taking into account comments from both the Project Approving Agency (PAA) and IDA, as well as any clearance conditions. Given below are the important elements that constitute an EMP.

a. Description of Mitigation Measures

24. Feasible and cost effective measures to minimize adverse impacts to acceptable levels should be specified with reference to each identified impact. Further, it should provide details on the conditions under which the mitigation measure should be implemented (i.e., routine or in the event of contingencies). The EMP also should distinguish between type of solution proposed (structural and non structural) and the phase in which it should become operable (design, construction, and/or operational). Efforts should also be made to mainstream environmental and social opportunities as reasonable.

---

10 As defined in World Bank Operational Policy 4.01, Environmental Assessment.
b. **Monitoring Program**

25. In order to ensure that the proposed mitigation measures have the intended results and comply with national standards and donor requirements, an environmental performance monitoring program should be included in the EMP. The monitoring program should give details of the following:

- Monitoring indicators to be measured for evaluating the performance of each mitigation measure (for example national standards, engineering structures, extent of area replanted, etc.);
- Monitoring mechanisms and methodologies;
- Monitoring frequency; and
- Monitoring locations.

c. **Institutional Arrangements**

26. Institutions/parties responsible for implementing mitigation measures and for monitoring their performance should be clearly identified. Where necessary, mechanisms for institutional coordination should be identified, as monitoring often involves more than one institution.

d. **Implementing Schedules**

27. Timing, frequency, and duration of mitigation measures with links to overall implementation schedule of the project should be specified.

e. **Reporting Procedures**

28. Feedback mechanisms to inform the relevant parties on the progress and effectiveness of the mitigation measures and monitoring itself should be specified. Guidelines on the type of information wanted and the presentation of feedback information should also be highlighted.

f. **Cost Estimates and Sources of Funds**

29. Implementation of mitigation measures mentioned in the EMP will involve an initial investment cost, as well as recurrent costs. The EMP should include costs estimates and identify sources of funding for each measure.
LIST OF ATTACHMENTS TO THE ENVIRONMENTAL AND SOCIAL SCREENING AND ASSESSMENT FRAMEWORK (ESSAF)*

Attachment 1: Overall Guidelines for Environmental and Social Aspects of Tsunami Recovery Program – Phase I and Phase II
Attachment 2: List of Negative Sub-project Attributes
Attachment 3: Checklist of Likely Environmental and Social Impacts of Sub-projects
Attachment 4: Guidelines for Land and Asset Acquisition, Entitlements and Compensation
Attachment 4(i): Land Acquisition Assessment Data Sheet
Attachment 4(ii): Format to Document Contribution of Assets
Attachment 5: Protection of Cultural Property
Attachment 6: Safeguards Procedures for Inclusion in the Technical Specifications of Contracts

* These attachments are available in the project documentation and from the InfoShop.
APPENDIX VIII – PROCUREMENT

A. GENERAL

1. This operation will supplement the activities under the emergency recovery program focusing on the reconstruction of schools, support for health care centers, housing construction/repairs, provision of cash grants for livelihood support, and strengthened implementation capacity in the North East and Southern Provincial Councils. The program will also strengthen existing non-damaged education and health facilities to provide emergency recovery services to displaced and affected people in the districts.

2. Procurement for the proposed program would be carried out in accordance with the Guidelines: Procurement Under IBRD Loans and IDA Credits dated May 2004; Guidelines: Selection and Employment of Consultants by World Bank Borrowers dated May 2004, and the provisions stipulated in the Development Finance Agreement. The broad description of various items under different expenditure categories to be financed under the program are provided below. For each contract to be financed under the Credit/Grant, the Government and IDA will agree upon the procurement method, the consultant selection method, the need for prequalification (using the existing national system of registration of construction contractors), estimated cost, the requirements for prior review and the time frame. A detailed procurement plan for the first six months of the program, excluding the livelihood support cash grants will be agreed prior to implementation. The procurement plan will be updated every subsequent six months. A guidance note on simplified and applicable procedures for all procurement actions under the program will be prepared.

3. The procurement of goods, works and services other than consulting services, to be financed under the project following International Competitive Bidding (ICB) and Limited International Bidding (LIB) procedures will use Bank’s Standard Bidding Documents. Consultants will be selected based on the Bank/IDA Standard RFP and procurement methods described in the DFA. Sri Lanka-specific Model Standard Bidding Documents will be used for procurement of goods and works following National Competitive Bidding (NCB) procedures already agreed with IDA and, for the selection of consultants for small assignments, Request for Proposals (RFPs) documents based on IDA mandated samples. Additionally, based on the specific need, IDA may agree for the use of other standard documents prepared by the National Procurement Agency (NPA), specifically for emergency operations following natural disasters.

Procurement of Works

4. According to the initial damage and needs assessment, 168 schools, 4 universities and 18 vocational training institutes were either damaged or destroyed, 44 health care centers were fully damaged and 48 health centers were partly damaged. The proposed program would entail civil works for rehabilitation and reconstruction of school infrastructure and health care centers. There will be additional civil works under Roads and Infrastructure. The indicative costs for rehabilitation and reconstruction have been prepared and detailed estimates are under preparation. The contracts would be packaged to attract all levels of contractors registered with the Institute for Construction Training and Development (ICTAD). Small scale rehabilitation work may be packaged to the extent possible to procure following the national shopping procedures. Where possible and applicable, community based organizations such as School Development Societies would be contracted to carry out rehabilitation works. Direct contracting contracts will be estimated based on the schedules of rates normally used by public sector agencies – such as District/Divisional Secretariats, the Department of Buildings, the Road Development Authority, the Department of Irrigation and the National Water Supply and Drainage Board – depending on the nature of
the proposed works. Reconstruction of damaged houses and new housing construction will be carried out by the beneficiaries following direct contracting or shopping procedures.

**Procurement of Goods**

5. Goods procured under the program would include equipment for quality inputs, furniture, computers and related accessories, medical equipment, drugs, vehicles, surgical equipment and consumables to cover the short term needs, and for the medium term, water purification facilities, office equipment such as photocopiers, fax machines, office furniture, communication equipment and software for the schools, hospitals, the central Statutory Authority designated to manage the reconstruction works, Provincial Management Units, District Task Forces, District Health Authorities, Zonal and Divisional Education Authorities, District/Divisional Secretariats and other designated implementing agencies.

**Cash Grants for Livelihood Support and Housing Support Activities**

6. Government will provide beneficiaries a one-time cash grant up to LKR 25,000 per family to commence livelihood activities through an existing mechanism. The beneficiary will be fully responsible for all procurement action using the proceeds from the grant.

7. Government will provide beneficiaries a one-time cash grant up to LKR 150,000 per family to commence housing repair activities through an existing mechanism. The beneficiary will be fully responsible for all procurement action using the proceeds from the grant.

**Selection of Consultants**

8. Consultancies will include beneficiary assessments, review and revision of building standards for design of structures to withstand natural disasters, design and construction supervision contracts, studies on natural resource systems in the affected areas, environmental safeguards, social safeguards, national parks and wetlands, impact of salinity on the land and water resources, monitoring and evaluation, public awareness programs and risk mitigation studies.

9. Depending on the nature and the emergency timing for carrying out consultancy assignments, Single Source Selection and Consultant’s Qualification Selection (CQS) may be considered as preferred methods.

10. Shortlists of consultants for assignments estimated to cost less than US$500,000 equivalent per contract may comprise entirely of national consultants in accordance with the provisions of Paragraph 2.7 of the Consultant Guidelines.

**B. ASSESSMENT OF THE CAPACITY TO IMPLEMENT PROCUREMENT UNDER THE PROGRAM**

11. An overall assessment of procurement capacity in the provinces based on the on-going procurement performance in the projects under implementation in the two provinces was undertaken by Deepal Fernando, Procurement Specialist. A summary of the assessment is provided below.

**Implementation Arrangements**

12. The proposed emergency recovery program will be implemented through the Statutory Authority at the center and the eight District Secretariats with the participation of relevant provincial, education and health officials.
Exposure to IDA Procurement Procedures

13. Provincial education authorities in the North East (NEPC) and the South (SPC) are currently implementing the decentralized components under the two IDA-financed education projects TETD (Cr. 28810-CE) and GEP2 (Cr. 30140-CE) and have been procuring works and goods following NCB and national shopping procedures for the education sector. Several members of the provincial staff have participated in procurement training programs locally and abroad. NEPC is currently implementing the North East Emergency Reconstruction Program (NEERP) (amended version of Cr. 28800-CE; Cr. 30580-CE; and Cr. 35250-CE), the two North East Irrigated Agriculture Projects (NEIAP-1; Cr. 33010-CE and NEIAP-2; Cr. 39350-CE) and the North East Housing Rehabilitation Project (Cr. 40140-CE). NEPC initially obtained the services of a procurement agent to assist in the implementation of NEERP. The procurement agent was responsible for building procurement capacity within NEPC including at the district level. In addition, more than 20 staff belonging to various agencies have attended the Procurement Training Program conducted by ASCI, Hyderabad, India. Authority has been given to the Deputy Director of Health Services (DDHS) in each district to undertake the procurement of works and goods estimated to cost less than US$50,000 equivalent following shopping procedures under the recently approved Health Sector Development Project (HSDP; Grant H0950-CE) based on the recommendations of a procurement capacity assessment in the health sector. There will not be any high value procurement actions under the proposed program. IDA has already conducted a training program for district level health sector staff. The central unit shall recruit or reallocate staff within the provincial system to strengthen the procurement capacity of the project management units (PMUs). In addition, this unit will support district/zonal/divisional units as needed in implementation of the agreed procurement plan.

Existing System for Decision-making on Procurement Matters

14. The decision-making process regarding the program will be guided by the Authority Levels indicated in Revised Guidelines on Government Tender Procedure (GGTP) for Projects Assisted by Foreign Financing Agencies (Revised Edition – December 2000) and any other subsequent circulars or revisions to guidelines.

15. The authority threshold to decide and award tenders for donor financed projects are:

- Contracts up to LKR 100 million (US$1.0 million equivalent) by the Project Tender Board (PTB); and
- Contracts between LKR 100 million (US$1.0 million equivalent) and LKR 250 million (US$2.5 million) by the Tender Board Chaired by the Chief Secretary of the respective province.

16. In addition under HSDP, special approval was granted by the Ministry of Finance (MOF) for the award of tenders up to US$50,000 equivalent by the Deputy Directors of Health Services at the district level for the implementation of HSDP.

Actions for Improving the Agencies’ Procurement Capacities

17. IDA would conduct at least two training programs at the provincial level to create an awareness of the new IDA procurement guidelines. In addition, the NPA will conduct several programs to enhance the procurement capability of the implementing agencies and the decision-making authorities.

C. PROCUREMENT PLANS AND SELECTION METHODS

18. The eight districts will develop procurement plans – that include the agreed procurement methods – which will provide the basis for all procurement activities under the program.
Methods of Procurement for Works and Goods

19. The proposed methods for procurement of goods and works will follow one of following procedure:
   
   - International Competitive Bidding [ICB]
   - Limited International Bidding [LIB]
   - National Competitive Bidding [NCB]
   - Shopping
   - Direct Contracting
   - Force Account
   - Community participation in procurement
   - Any other method with prior agreement with IDA (such as GOSL procedures for emergency operations issued by the NPA) for the initial period of twelve months

20. The Government and IDA shall agree to comply with the improved procedures for procurement following NCB as indicated the attachment to this annex.

Methods for Selection of Consultants

21. The selection of consultants will be made on the basis of the following methods depending on appropriateness in each case.
   
   - Quality and Cost Based Selection [QCBS]
   - Quality Based Selection [QBS]
   - Selection under a Fixed Budget [FBS]
   - Least Cost Selection [LCS]
   - Selection Based on Consultants Qualifications [CQS]
   - Single Source Selection [SSS]
   - Selection of Individual Consultants as per Section V of the Guidelines

22. Considering the emergency situation, most of the assignments are expected to be procured following Single Source Selection (SSS) and Consultant’s Qualification Selection (CQS) Methods.

D. PROCUREMENT SUPERVISION AND REPORTING

23. In addition to prior-review of contracts by IDA, where required there will be a minimum of three procurement review missions in each year that would include field visits, on-site inspections and post-review of procurement actions. GOSL shall also conduct an extensive ex-post procurement audit of the contracts on a sample basis.

24. Procurement information will be collected and recorded as follows:
   
   - Prompt reporting of contracts award information by PMUs for the respective components.
   - Comprehensive quarterly reports by PMUs indicating:
     (i) Revised costs estimates for individual contracts and total cost; and
     (ii) Revised procurement actions including advertising, bidding and contract award and completion time for all contracts.
E. **Thresholds for Procurement Methods and Prior Review**

25. Thresholds for the various procurements methods are given in the following table:

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Contract Value Threshold (US$)</th>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>For each contract estimated to cost: 100,000 and above Below 100,000 25,000 and below</td>
<td>NCB Shopping Force Account or Direct Contracting including community contracting for the initial period of twelve months of the recovery phase with prior agreement with IDA</td>
</tr>
<tr>
<td>Goods</td>
<td>For each contract estimated to cost: 500,000 and above Below 500,000 Below 50,000 Proprietary items, software, books including reprinting of school textbooks, periodicals small value drugs, spare parts for existing equipment, etc.</td>
<td>ICB NCB Shopping Direct Contracting during the initial period of twelve months of the recovery phase with prior agreement with IDA</td>
</tr>
<tr>
<td>Grants for Livelihood support</td>
<td>All</td>
<td>Direct by the beneficiary</td>
</tr>
<tr>
<td>Consultant Services</td>
<td>For each contract estimated to cost: 200,000 and above Below 200,000</td>
<td>QCBS [in specific cases, method of procurement can be other than QCBS, which will be identified in the procurement plan] Any method as per the Credit/Grant Agreement</td>
</tr>
</tbody>
</table>

Prior review requirements will be identified in the procurement plans, which will be regularly updated for review and agreement with IDA.

F. **Overall Procurement Risk Assessment**

26. The overall risk for procurement is Medium.

*Agreed Procedures for National Competitive Bidding*

- GOSL shall only use the Sri Lanka specific model bid documents for NCB as agreed with IDA (and as amended from time to time).
- GOSL shall advertise invitations to bid in at least one widely circulated national daily newspaper twenty-one days prior to the deadline for the submission of the bids.
- GOSL shall make available bidding documents by mail or in person to all who are willing to pay the required fee.
• There shall not be any restrictions on the means of delivery of the bids.
• Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders/state owned enterprises/small scale enterprises in the bidding process.
• Bids shall be opened in public in one location, immediately after the deadline for submission of bids.
• Qualification criteria (in case a pre-qualification was not carried out) shall be stated in the bid document, and if a registration process is required, a foreign bidder, if declared as the lowest evaluated responsive bidder, shall be given a reasonable time to register, without let or hindrance.
• Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding document, in a format and within a specified period agreed with IDA.
• Bids shall not be rejected merely on the basis of a comparison with an official estimate without prior concurrence of IDA.
• Contracts shall be awarded to the lowest evaluated responsive bidder/s.
• Except with the prior concurrence of IDA, there shall be no negotiation of price with bidders, even with the lowest evaluated bidder.
• Re-bidding shall not be carried out except with prior concurrence of IDA.
• All contractors shall provide performance security as indicated in the contract documents.
Appendix IX: Financial Management and Disbursement

Country Issues

1. The Sri Lanka Country Financial Accountability Assessment (CFAA; June 2003) highlights several public sector financial management (FM) issues at national, provincial and district levels. One issue highlighted was timely availability of counterpart funding. The Government often delays the allocation of funds for this purpose leading to implementation delays. However, recently measures have been introduced to ensure timely availability and smooth flow of counterpart funds for all donor-financed projects.

Implementation Arrangements

2. A Statutory Authority to Rebuild the Nation (TAFREN; the Authority) will be set up for the overall implementation and monitoring of the country disaster management program. This Authority will also be in charge of the proposed IDA-financed tsunami reconstruction program. IDA funds will be routed through the Authority to the government implementing agencies at the central government and the district level in the North East and Southern Provincial Councils. At the district level, multi-sectoral task forces set up by the Government will be responsible for the design, prioritization and day-to-day monitoring of reconstruction efforts. The district task forces and the Authority will liaise closely with the Finance Commission to obtain budget provision for the district programs. The Authority will set up secretariats at the district level to strengthen the district task forces.

3. The overall financial management functions of the proposed project will be the responsibility of the Authority. In the event that all donor funds are channeled via this Authority, IDA will make arrangements to harmonize its financial management requirements with the requirements of the rest of the donors. The government budgeting and accounting system will be used up to the extent possible, at all levels. The government accountants at the district offices will maintain the financial records of the district programs. However the Authority will fund any additional accounting staff required at the district accounting offices. A financing code will be created in the government budget for IDA-financed activities and project expenditure by each participating district will be tracked.

Strengths

4. The project has the following strengths from the FM perspective:

- The districts in the North, East and the South have prior experience in handling IDA-funded projects;
- The government computerized accounting system is quite robust and is used by government implementing agencies at the central and district levels; and
- The public sector budget, as well as the chart of accounts, have object codes that facilitates tracking of all project expenditure, if required.

5. However, the following FM weaknesses have also been identified:
Weaknesses | Mitigating Actions
--- | ---
The Authority has no prior experience in handling financial management activities of similar operations and the operation is complicated due to their involvement in multi sectors and multi donors. | IDA will fund the Authority as well as district offices to hire qualified and competent staff. IDA accounting and reporting requirements will be aligned with GOSL regulations and reporting requirements in order to simplify FM arrangements.
Using the regular government channels might delay the flow of funds to the implementing agencies and the ultimate beneficiaries. | The authority will formulate a resolution mechanism to anticipate delays, identify them and take necessary steps to overcome the problem. Authority will obtain regular reports from implementing agencies and introduce a feedback system by the beneficiaries.

**Risk Analysis**

6. The FM risks of the project are the following:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Rating</th>
<th>Risk Mitigating Measures</th>
</tr>
</thead>
</table>
| Complexity in the fund flow arrangement due to the multi-sector, multi-level nature of operations. | H | • The FM capacity of the district offices will be strengthened.  
• A comprehensive FM manual which will be part of the overall operations manual will be prepared. |
| Absence of a Financial Management Specialist at the Authority. | H | • A full time accountant will be recruited before credit effectiveness and a condition to this effect has been introduced to the Development Financing Agreement (DFA). |
| Weak government internal audit system. | H | • An international auditing firm will be appointed to carry out a continuous audit. |
| Overall risk rating | H |

7. As the overall financial management risk of the project is rated as 'high', the program will need intensive supervision from an FM perspective. The focus during IDA supervision will be to review the Authority’s FM system and on a sample basis review those of the Government district offices.

**Project Staffing**

8. The Authority will have a finance unit with qualified accountants and support staff. The Finance Managers will be on board before commencement of operations.

9. The accounting functions at the district level will be carried out by the government accountants at district offices. However, the Authority will strengthen the government accounting offices with additional staff, if required. The district level FM arrangements will be in place before commencement of operations.

**Accounting Policies and Procedures**

10. The Authority will be required to comply with the Sri Lanka Accounting Standards (SLAS). SLAS comply with International Accounting Standards in all material aspects. In addition, the Finance
Act clearly lays down pertinent financial management requirements for public enterprises including statutory boards.

11. Project specific procedures will be laid down in a financial manual which will be part of the Operations Manual.

**Information System**

12. The Computerised Integrated Government Accounting System (CIGAS) and the Government Chart of Accounts will be used by various tiers of the government implementation structure to record the financial transactions of the project. The government accounting systems generate expenditure information along the lines of the expenditure classification in the government budget. However, if further classification of expenditure is required to meet reporting requirements of the various stakeholders, a simple computerized accounting systems will be introduced at the Authority.

**Flow of Funds**

13. One Special Dollar Account (SDA), will be opened at the Central Bank. IDA funds will be deposited in the SDA. New budget allocations will be approved in parliament for tsunami-related reconstruction work both at the centre and the district level. Based on the provisions in the public sector budget estimates, the Government will advance from its own funds (counterpart funds, as well as the IDA portion) directly to the Authority. Once the funds are transferred to the Authority, they will be responsible for releasing funds to the government implementing agencies at the central government and the district offices in the form of an imprest/advance. The government implementing agencies will not open separate bank accounts. However, using the government accounting system and the government chart of accounts, project expenditure can be tracked at all levels. Detailed fund flow arrangements for each sector will be spelled out in the FM manual.

14. The Authority will submit withdrawal applications to the Central Bank on a monthly basis to reimburse the Government for the IDA share of eligible expenditure incurred up to that date, from the funds available in the SDA.

15. The Authority will consolidate financial reports submitted by the central government implementing agencies as well as the districts and submit withdrawal applications on the basis of Financial Management Reports (FMRs), directly to IDA.

**Financial Reporting**

16. Central government implementing agencies will provide monthly financial reports and other required information (reporting requirements will be spelt out in the FM manual) to the Authority on a monthly basis. In addition, the district offices will submit their monthly reports to the Authority. The Authority will closely monitor to ensure that all reports are submitted on time. The Authority will submit quarterly FMRs to IDA. The FMRs are consolidated reports that roll up from central government and district reports. The FMRs are in three sections: (i) Financial Reports; (ii) Physical Progress Reports; and (iii) Procurement Reports. The FMR Formats will be agreed with the Government at negotiations. The FMRs will be submitted to IDA within 45 days of the end of the quarter. The FM manual will provide details on the reporting mechanisms (including special requirements in the case of grants/loans to communities) that should be adopted by the project.

17. In the event that funds are transferred to community based organizations to carry out community work, the FM manual will outline the reporting formats and simple accounting procedures that should be
followed in: (i) budget preparation; (ii) recording sources and uses of funds; (iii) inventory control; (iv) asset management; (v) internal controls; and (vi) audits, etc.

**Internal Controls**

18. Internal Controls: Implementing agencies attached to the central government will follow Financial Regulations (FRs) and the implementing agencies attached to the two provincial councils will follow Finance rules of their respective provinces. FRs and Finance rules deal with all aspects of procedures and controls necessary for authorizing, approving, executing, recording and reporting expenditure. Additional internal control procedures will be specified in the project financial manual to bridge any gaps and to promote outcome/output focused accountability. The project requires these additional and improved internal controls due to the large multi-sector, multi-level flexibly-financed nature of the operation.

19. Performance cum internal Audit: In addition to the regular financial statement audit, the Authority and the implementing agencies will be subjected to an on-going audit to assess whether the funds have been disbursed on a timely basis, reached the intended recipients, used effectively and efficiently and for the intended purposes. This approach will result in periodic: (i) identification of findings and recommendations for enhanced accountability and transparency; and (ii) corrective actions by the Authority and implementing agencies.

**External Audit**

20. The audit of the Authority will be carried out annually by the Auditor General of Sri Lanka (AG) or another audit company nominated by the AG. The AG is the supreme audit institution of Sri Lanka and has been accepted by IDA. No separate project audit report will be prepared. IDA will accept the Authority’s entity audit report, with adequate disclosure of the financed activities at the central and district levels. The audit reports will be due within six months from the financial year end.

**Audit Reports**

21. The following audit reports will be monitored in ARCS:

<table>
<thead>
<tr>
<th>Implementing Agency</th>
<th>Audit Opinion</th>
<th>Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAFREN</td>
<td>Continuing Entity’s Financial Statements</td>
<td>June 30th</td>
</tr>
<tr>
<td>TAFREN</td>
<td>Special Account</td>
<td>June 30th</td>
</tr>
</tbody>
</table>

**Disbursement Arrangements**

22. The project will follow report based disbursement procedures.

23. A Special Dollar Account (SDA) will be opened at the Central Bank and managed by Treasury. The SDA will be operated according to terms and conditions acceptable to the International Development Association (IDA).

24. The following next steps and financial covenants have been agreed:

<table>
<thead>
<tr>
<th>Next Steps</th>
<th>Target Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agree with the GOSL on the overall implementation arrangements and related financial management and fund flow arrangements.</td>
<td>At negotiations</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2. Finalize the implementation and fund flow arrangements of sectors funded under the proposed project.</td>
<td>Before implementation</td>
</tr>
<tr>
<td>3. Set up the finance unit in the Authority and recruit a finance manager.</td>
<td>Before effectiveness</td>
</tr>
<tr>
<td>4. Ensure that adequate FM arrangements are in place at the district level.</td>
<td>Before implementation</td>
</tr>
<tr>
<td>5. Finalize the Financial Management Manual (part of the operations manual).</td>
<td>Before implementation</td>
</tr>
<tr>
<td>6. Finalize audit arrangements - Appoint External and Internal auditors and agree on the terms of reference.</td>
<td>Before implementation</td>
</tr>
</tbody>
</table>

**Financial Covenants**

- The Authority will ensure that a satisfactory financial management system is maintained throughout the duration of IDA funding.
- The Borrower will establish satisfactory and acceptable financial management arrangements to carry out the Project – before effectiveness.
- The Authority will submit audited annual financial statements of the entity to IDA no later than six months of the following fiscal year.
- The Authority will produce FMRs and submit them to the IDA no later than 45 days following the end of the reporting quarter.
### APPENDIX X – STATEMENT OF LOAN AND CREDITS

(As of February 7, 2005)

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Name</th>
<th>Fiscal Year</th>
<th>IBRD</th>
<th>IDA</th>
<th>GEF</th>
<th>Cancel.</th>
<th>Undisb.</th>
<th>Orig. Fm Rev'd</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO83932</td>
<td>North East Housing Reconstruction Program</td>
<td>2005</td>
<td>0.00</td>
<td>75.00</td>
<td>77.89</td>
<td>77.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO81771</td>
<td>E-Sri Lanka Development</td>
<td>2005</td>
<td>0.00</td>
<td>53.00</td>
<td>55.19</td>
<td>55.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO74872</td>
<td>Community Development and Livelihood</td>
<td>2004</td>
<td>0.00</td>
<td>51.00</td>
<td>51.21</td>
<td>0.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO57440</td>
<td>Health Sector Development</td>
<td>2004</td>
<td>0.00</td>
<td>60.00</td>
<td>59.88</td>
<td>0.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO87474</td>
<td>North-East Irrigated Agriculture Project II</td>
<td>2004</td>
<td>0.00</td>
<td>54.70</td>
<td>87.77</td>
<td>0.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO77586</td>
<td>Economic Reform TA</td>
<td>2003</td>
<td>0.00</td>
<td>15.00</td>
<td>10.70</td>
<td>0.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO74730</td>
<td>National HIV/AIDS Prevention</td>
<td>2003</td>
<td>0.00</td>
<td>12.60</td>
<td>12.69</td>
<td>5.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO5741</td>
<td>Relevance and Quality of Undergraduate Education</td>
<td>2003</td>
<td>0.00</td>
<td>40.30</td>
<td>41.84</td>
<td>11.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO58088</td>
<td>Second Community Water</td>
<td>2003</td>
<td>0.00</td>
<td>39.80</td>
<td>39.75</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO78732</td>
<td>Renewable Energy for Rural Economic Development</td>
<td>2002</td>
<td>0.00</td>
<td>75.00</td>
<td>87.47</td>
<td>1.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO77761</td>
<td>Renewable Energy for Rural Economic Development</td>
<td>2002</td>
<td>0.00</td>
<td>0.00</td>
<td>5.62</td>
<td>-0.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO69764</td>
<td>Distance Learning Initiative (LIL)</td>
<td>2001</td>
<td>0.00</td>
<td>2.00</td>
<td>0.80</td>
<td>-1.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO71151</td>
<td>Central Bank Strengthening</td>
<td>2001</td>
<td>0.00</td>
<td>30.30</td>
<td>5.74</td>
<td>3.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO50738</td>
<td>Land Tax &amp; Rel Serv (LIL)</td>
<td>2001</td>
<td>0.00</td>
<td>5.00</td>
<td>2.13</td>
<td>1.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO44800</td>
<td>Legal and Judicial Reforms</td>
<td>2000</td>
<td>0.00</td>
<td>18.20</td>
<td>10.29</td>
<td>-8.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO56807</td>
<td>North-East Irrigated Agriculture Project</td>
<td>2000</td>
<td>0.00</td>
<td>27.00</td>
<td>3.91</td>
<td>2.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO51028</td>
<td>General Education (LIL)</td>
<td>1998</td>
<td>0.00</td>
<td>70.30</td>
<td>14.60</td>
<td>-4.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO34212</td>
<td>Maweli Restructuring</td>
<td>1998</td>
<td>0.00</td>
<td>70.30</td>
<td>75.00</td>
<td>1.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO10017</td>
<td>Private Sector Infrastructure Development</td>
<td>1996</td>
<td>0.00</td>
<td>77.00</td>
<td>8.99</td>
<td>26.68</td>
<td>11.53</td>
<td></td>
</tr>
<tr>
<td>PO42168</td>
<td>Teacher Education and Teacher Deployment</td>
<td>1996</td>
<td>0.00</td>
<td>54.10</td>
<td>4.98</td>
<td>5.24</td>
<td>6.28</td>
<td></td>
</tr>
</tbody>
</table>

**Total:** 837.30  8.00  15.86  550.22  77.75  21.44
APPENDIX XI:

Sri Lanka at a Glance

<table>
<thead>
<tr>
<th>POVERTY and SOCIAL</th>
<th>Sri Lanka</th>
<th>South Asia</th>
<th>Lower-middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population, mid-year (millions)</td>
<td>19.2</td>
<td>1,401</td>
<td>2,408</td>
</tr>
<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>2,400</td>
<td>460</td>
<td>1,400</td>
</tr>
<tr>
<td>GNI (Atlas method, US$ billions)</td>
<td>10.6</td>
<td>638</td>
<td>3,372</td>
</tr>
</tbody>
</table>

Average annual growth, 1997-03

| Population (%) | 1.3 | 1.8 | 0.9 |
| Labor force (%) | 3.4 | 2.3 | 1.2 |

Most recent estimate (latest year available, 1997-03)

| Poverty (% of population below national poverty line) | 25 | 40 | 30 |
| Urban population (% of total population) | 21 | 29 | 35 |
| Life expectancy at birth (years) | 74 | 63 | 69 |
| Infant mortality (per 1,000 live births) | 17 | 68 | 32 |
| Child malnutrition (% of children under 5) | 33 | 45 | 9 |
| Access to an improved water source (% of population) | 77 | 84 | 81 |
| Illiteracy (% of population age 15+) | 8 | 44 | 13 |
| Gross primary enrollment (% of school-age population) | 110 | 95 | 112 |

Male

| | 111 | 103 | 113 |

Female

| | 110 | 88 | 111 |

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$ billions)</td>
<td>5.2</td>
<td>10.4</td>
<td>15.5</td>
</tr>
<tr>
<td>Gross domestic investment/GDP</td>
<td>28.9</td>
<td>25.6</td>
<td>21.3</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>20.3</td>
<td>23.8</td>
<td>36.1</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>13.8</td>
<td>16.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Gross national savings/GDP</td>
<td>19.7</td>
<td>20.7</td>
<td>19.9</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>-5.1</td>
<td>-4.6</td>
<td>-1.4</td>
</tr>
<tr>
<td>Interest payments/GDP</td>
<td>1.8</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Total debt/GDP</td>
<td>58.1</td>
<td>68.7</td>
<td>57.9</td>
</tr>
<tr>
<td>Total debt service/exports</td>
<td>--</td>
<td>9.6</td>
<td>9.8</td>
</tr>
<tr>
<td>Present value of debt/GDP</td>
<td>--</td>
<td>48.5</td>
<td>--</td>
</tr>
<tr>
<td>Present value of debt/exports</td>
<td>--</td>
<td>104.9</td>
<td>--</td>
</tr>
</tbody>
</table>

(average annual growth)

| GDP | 4.0 | 4.3 | 4.0 | 5.0 | 5.0 |
| GDP per capita | 2.9 | 3.0 | 2.5 | 4.9 | 4.9 |
| Exports of goods and services | 6.8 | 5.7 | 6.3 | 4.8 | 7.8 |

STRUCTURE of the ECONOMY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(% of GDP)</td>
<td>Agriculture</td>
<td>26.3</td>
<td>24.6</td>
</tr>
<tr>
<td>Industry</td>
<td>28.3</td>
<td>25.6</td>
<td>26.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14.0</td>
<td>15.2</td>
<td>15.8</td>
</tr>
<tr>
<td>Services</td>
<td>45.4</td>
<td>49.7</td>
<td>53.2</td>
</tr>
<tr>
<td>Private consumption</td>
<td>78.1</td>
<td>74.8</td>
<td>76.7</td>
</tr>
<tr>
<td>General government consumption</td>
<td>5.1</td>
<td>9.2</td>
<td>8.8</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>41.4</td>
<td>43.3</td>
<td>42.9</td>
</tr>
</tbody>
</table>

(average annual growth)

| Agriculture | 1.5 | 1.3 | 2.5 | 1.5 |
| Industry | 5.5 | 5.0 | 1.0 | 5.8 |
| Manufacturing | 7.1 | 5.5 | 2.1 | 4.4 |
| Services | 4.8 | 5.1 | 6.1 | 7.7 |
| Private consumption | 2.9 | 4.7 | 7.7 | 5.3 |
| General government consumption | 12.4 | 8.0 | -0.3 | 11.4 |
| Gross domestic investment | 0.4 | 4.4 | 3.1 | 20.0 |
| Imports of goods and services | 3.3 | 6.9 | 11.8 | 10.4 |

Note: 2003 data are preliminary estimates. Group data are for 2002.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.
### Sri Lanka at a Glance (Cont.)

#### PRICES and GOVERNMENT FINANCE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic prices (%) change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer prices</td>
<td>11.7</td>
<td>9.6</td>
<td>6.3</td>
</tr>
<tr>
<td>Implicit GDP deflator</td>
<td>18.9</td>
<td>9.9</td>
<td>8.2</td>
</tr>
</tbody>
</table>

#### Government finance (% of GDP, includes current grants)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current revenue</td>
<td>21.3</td>
<td>17.0</td>
<td>16.2</td>
</tr>
<tr>
<td>Current budget balance</td>
<td>0.8</td>
<td>-3.9</td>
<td>-2.9</td>
</tr>
<tr>
<td>Overall surplus/deficit</td>
<td>-10.6</td>
<td>-7.1</td>
<td>-8.5</td>
</tr>
</tbody>
</table>

#### TRADE (US$ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total exports (fob)</td>
<td>2,864</td>
<td>4,699</td>
<td>5,133</td>
</tr>
<tr>
<td>Tea</td>
<td>413</td>
<td>680</td>
<td>683</td>
</tr>
<tr>
<td>Other agricultural goods</td>
<td>272</td>
<td>310</td>
<td>390</td>
</tr>
<tr>
<td>Manufactures</td>
<td>1,412</td>
<td>2,424</td>
<td>2,076</td>
</tr>
<tr>
<td>Total Imports (cif)</td>
<td>4,011</td>
<td>6,105</td>
<td>6,072</td>
</tr>
<tr>
<td>Food</td>
<td>532</td>
<td>696</td>
<td>701</td>
</tr>
<tr>
<td>Fuel and energy</td>
<td>309</td>
<td>765</td>
<td>838</td>
</tr>
<tr>
<td>Capital goods</td>
<td>1,047</td>
<td>1,170</td>
<td>1,320</td>
</tr>
<tr>
<td>Export price index (1995=100)</td>
<td>83</td>
<td>173</td>
<td>184</td>
</tr>
<tr>
<td>Import price index (1995=100)</td>
<td>82</td>
<td>161</td>
<td>159</td>
</tr>
<tr>
<td>Terms of trade (1995=100)</td>
<td>102</td>
<td>107</td>
<td>115</td>
</tr>
</tbody>
</table>

#### BALANCE of PAYMENTS (US$ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of goods and services</td>
<td>3,492</td>
<td>5,867</td>
<td>6,541</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>2,133</td>
<td>4,475</td>
<td>7,080</td>
</tr>
<tr>
<td>Resource balance</td>
<td>-983</td>
<td>-1,113</td>
<td>-1,143</td>
</tr>
<tr>
<td>Net income</td>
<td>-137</td>
<td>-124</td>
<td>-253</td>
</tr>
<tr>
<td>Net current transfers</td>
<td>445</td>
<td>612</td>
<td>1,128</td>
</tr>
<tr>
<td>Current account balance</td>
<td>-473</td>
<td>-495</td>
<td>-238</td>
</tr>
<tr>
<td>Financing items (net)</td>
<td>466</td>
<td>1,159</td>
<td>576</td>
</tr>
<tr>
<td>Changes in net reserves</td>
<td>7</td>
<td>-561</td>
<td>-338</td>
</tr>
</tbody>
</table>

**Memo:**

- Reserves including gold (US$ millions) | 1,675 | 1,700 | 2,329 |
- Conversion rate (D. C. local/US$) | 23.5 | 40.3 | 95.7 | 95.0 |

#### EXTERNAL DEBT and RESOURCE FLOWS (US$ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt outstanding and disbursed</td>
<td>2,864</td>
<td>6,920</td>
<td>9,556</td>
</tr>
<tr>
<td>IBRD</td>
<td>44</td>
<td>58</td>
<td>4</td>
</tr>
<tr>
<td>IDA</td>
<td>237</td>
<td>1,222</td>
<td>1,734</td>
</tr>
<tr>
<td>Total debt service</td>
<td>265</td>
<td>408</td>
<td>718</td>
</tr>
<tr>
<td>IBRD</td>
<td>5</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>IDA</td>
<td>3</td>
<td>15</td>
<td>44</td>
</tr>
<tr>
<td>Composition of net resource flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official grants</td>
<td>184</td>
<td>197</td>
<td>116</td>
</tr>
<tr>
<td>Official creditors</td>
<td>241</td>
<td>256</td>
<td>231</td>
</tr>
<tr>
<td>Private creditors</td>
<td>58</td>
<td>-39</td>
<td>-47</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>38</td>
<td>195</td>
<td>242</td>
</tr>
<tr>
<td>Portfolio equity</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### World Bank program

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>57</td>
<td>86</td>
<td>75</td>
</tr>
<tr>
<td>Disbursements</td>
<td>75</td>
<td>130</td>
<td>91</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>4</td>
<td>15</td>
<td>36</td>
</tr>
<tr>
<td>Net flows</td>
<td>72</td>
<td>115</td>
<td>55</td>
</tr>
<tr>
<td>Interest payments</td>
<td>4</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Net transfers</td>
<td>67</td>
<td>100</td>
<td>42</td>
</tr>
</tbody>
</table>

---

Development Economics