

## PROJECT INFORMATION DOCUMENT (PID)

### APPRAISAL STAGE

Report No.: AB3801

<b>Project Name</b>	Sri Lanka: North East Housing Reconstruction Program: Additional Financing
<b>Region</b>	SOUTH ASIA
<b>Sector</b>	Housing construction (100%)
<b>Project ID</b>	P110317
<b>Borrower(s)</b>	GOVERNMENT OF SRI LANKA
	Democratic Socialist Republic of Sri Lanka Ministry of Finance The Secretariat Sri Lanka Tel: + 94 1 2484510-1
<b>Implementing Agency</b>	
	North East Housing Reconstruction Unit
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	April 1, 2008
<b>Date of Appraisal Authorization</b>	March 24, 2008
<b>Date of Board Approval</b>	June 5, 2008

#### 1. Country and Sector Background

1.1 The twenty-five year old civil conflict in Sri Lanka led to loss of life, the displacement of persons belonging to all ethnic groups and the destruction of infrastructure, housing, health care centers and schools. A formal cease-fire was in force from 2002 to 2007 although hostilities resumed in 2006. A Joint Donor Needs Assessment in 2003 estimated that 290,615 houses destroyed in the civil conflict in Sri Lanka's North and East prior to 2002 remained unrepaired. 25,300 more houses were destroyed with the resurgence of the conflict in 2006. The destruction to housing coincided with significant levels of population displacement and economic deprivation during periods of armed hostility.

1.2 IDA approved the US\$ 75 million equivalent North East Housing Reconstruction Program (NEHRP) on December 14, 2004 and declared it effective on March 15, 2005. Given robust implementation, the European Commission subsequently provided Euros 15.6 million in parallel-financing. NEHRP was intended to reconstruct conflict-damaged houses in those villages deemed safe for reconstruction and facilitate the return of the conflict-affected poor. It was a commitment to support reconstruction where possible and strengthen the economic preconditions for a durable peace in Sri Lanka.

1.3 The pace of implementation under NEHRP has been commendable despite shifting hostilities. NEHRP (i.e. the IDA Credit and first tranche of European Commission parallel-financing) was originally intended to rebuild 34,784 houses in 2,712 villages. The reconstruction/repair of 14,530 houses was complete as at March, 2008. The reconstruction of another 14,671 houses is ongoing with completion of most anticipated in June, 2008. In short, 84% of the entire project caseload is either complete or nearing completion. Work on 5,597 houses is yet to start. These are largely located in two districts where construction is temporarily on hold due to the non-availability of construction materials.

1.4 IDA had rated NEHRP's progress towards meeting its Development Objective and its Implementation Performance as satisfactory. NEHRP complied with IDA fiduciary, social and environment safeguards. In November, 2007, the Government of Sri Lanka requested additional IDA funds. The Government wanted to include more houses within the scope of NEHRP and scale-up the project given its satisfactory performance and the large remaining number of conflict-destroyed houses that require construction. It was keen that IDA supplemental resources finance the repair of an added 13,117 houses that would include both those destroyed prior to 2002 and those damaged in 2006 in areas where the conflict has since subsided. The proposed repair of more houses is part of a broader strategy to facilitate the return of the displaced conflict-affected population and allow for the increased life stability of beneficiaries.

## 2. Objectives

2.1 The proposed Additional Financing would finance the reconstruction of 13,117 houses in the North and East. It would increase the number of poor conflict-affected families with improved and affordable housing units. It would entail a housing support cash grant paid in installments to help reconstruct homes. In addition, the technical assistance provided under the program would help meet the long term housing needs in the North and East through improved construction standards, enhanced community involvement in housing construction and streamlined mechanisms to resolve property disputes.

## 3. Rationale for Bank Involvement

3.1 The Additional Financing fits in well with the overall thrust of the IDA country program in its emphasis on meeting the immediate reconstruction needs of the impoverished conflict-affected population. It would build upon ongoing IDA financed efforts to support the return of IDPs, housing reconstruction, the restoration of health services, education, rural livelihood and drinking water supply in the North and East. IDA management took the decision to specifically support the housing sector given the success of the program to date, the scale of financing needs and absence of significant other donor support in that sector.

## 4. Description

4.1 The upcoming Program would have three components i.e.:

**(a) *Housing Assistance.*** This component would finance the housing reconstruction scheme, i.e. a grant of Rs 325,000 to each family meeting the eligibility and prioritization criteria to help rebuild their damaged houses.

**(b) *Capacity Building Measures.*** This component would include technical assistance to ensure social and environmental safeguards, the training of construction workers and a robust communications campaign.

**(c) *Support for Overall Program Management*** This would finance the technical expertise in the North East Housing Reconstruction Unit (NEHRU), the incremental operating costs and the costs incurred in supervising Program implementation.

## Financing

Source:	(\$m.)
BORROWER/RECIPIENT	1
International Development Association (IDA)	43
Total	44

## 5. Implementation

6.1 NEHRU is mapped to the Ministry of Nation Building and Estate Infrastructure Development. It would implement the proposed Additional Financing. The Director, an Engineer/Procurement Specialist and Environmental Specialist who have staffed NEHRU would continue for the duration of the Additional Financing. A Financial Management Specialist and a Social Development Specialist are in place.

6.2 The Secretary to the Ministry of Nation Building and Estate Infrastructure Development would continue to chair the national steering committee to oversee program implementation, address bottlenecks and set policy guidelines. The steering committee would include senior officials representing relevant infrastructure line agencies at the center, province and the eight districts of the North and East.

6.3 NEHRU has a District Program Unit in each project district with an administrator, accountant and clerk to coordinate and follow up on program implementation. This is located at the District Secretariat. A district and divisional level grievance redressal mechanism is in place to help resolve complaints of bias in the identification of beneficiaries. Mechanisms to facilitate the streamlined procurement and supply of raw materials to mitigate escalating prices are in place at the District Secretariat. This entails support for the private sector to bulk purchase construction materials at wholesale prices for those communities that request it. Program review committees established at the district and divisional level monitor the actual implementation of the owner-driven housing program. NEHRU uses District Environmental Officers of the Central Environmental Authority, who are located in District Secretariats of the eight participating districts, to assist it in environmental monitoring and management.

## 6. Lessons Learned from Past Operations in the Country/Sector

7.1 NEHRP is implemented in the conflict-affected North and East. The volatile conflict environment could impede IDA missions while security-related impediments could prevent hands-on supervision by IDA. In such a scenario, IDA would seek regular updates from the North East Housing Reconstruction Unit on conflict-related damage to newly rebuilt houses and rebuilt houses abandoned due to resumed displacement. It would assign reputed NGOs to cross check and undertake asset verification on its behalf, if needed. The verification would cover the (i) physical existence of the asset (this includes housing); (ii) usage of the asset by the intended user; and (iii) quality of the asset in line with its specification. A Risk Mitigation Action Plan outlines the fiduciary, operational and reputational safeguards in place.

## 7. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<u>Environmental Assessment</u> (OP/BP 4.01)	[x]	[ ]
Natural Habitats (OP/BP 4.04)	[ ]	[x]
Pest Management (OP 4.09)	[ ]	[x]
Physical Cultural Resources (OP/BP 4.11)	[ ]	[x]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[x]
Indigenous Peoples (OP/BP 4.10)	[x]	[ ]
Forests (OP/BP 4.36)	[ ]	[x]

Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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8. List of Factual Technical Documents

1. International Development Association Project Paper for a Proposed Additional Financing in the Amount of SDR 26.2 Million (US\$ 43 Million equivalent) to the Democratic Socialist Republic of Sri Lanka for the North East Housing Reconstruction Program. Report No: 42879-LK
2. Project Appraisal Document for NEHRP Report No: 30436L-K

9. Contact point

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\* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

