

Project Information Document (PID)

Project Name: Sri Lanka: Puttalam Housing Project

Region: South Asia

Sector: Housing Reconstruction (92%), Roads and Water (6%), Sub-national Government Administration (2%).

Theme: Social Safety Net (P), Access Urban Services (P), Pollution Management (P), Conflict Prevention (P), Personal and Property Rights (S).

Project: P100390

Borrower: Democratic Socialist Republic of Sri Lanka

Implementing

Agency: Puttalam Project Unit¹
Ministry of Resettlement
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Environment

Category: B

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1. Country and Sector Background

¹ The address and telephone number of the Puttalam Project Unit will be updated once this unit is established in the Puttalam District.

The twenty year civil conflict in Sri Lanka led to a loss of 65,000 lives, the displacement of 800,000 persons at different times during the conflict and the widespread destruction of infrastructure². A cease-fire agreement was signed in February, 2002 and over 60% of the 180,754 families who were displaced at that point subsequently returned to their homes in the conflict-devastated North East. Many refugee camps/welfare centers³ were closed. The largest number of remaining refugee camps that account for almost 50% of the camp population today is located in Puttalam.

Notwithstanding the cease-fire, an IDA-financed and United Nations High Commission for Refugees (UNHCR) supervised Survey of Refugee Camps in Puttalam in 2006⁴ reported that 15,480 IDP families (63,145 persons) in 141 refugee camps in the Puttalam district had not returned to their original homes in the North East given security concerns. The survey revealed that 98.8% of the IDPs in Puttalam are Muslim. Although the majority in Puttalam is Sinhalese by ethnicity, two of the four divisions where the IDPs currently reside are Muslim majority areas⁵.

This survey also revealed that 96% of IDPs expressed a preference to locally integrate whereas 4% wished to return to their home in the North East. In 2004 Survey of the Refugee Camps, only 40% of IDPs in Puttalam expressed preference to permanently settle down in that district. The Government is increasingly of the view that these IDPs are unlikely to return to the North East, given the security situation and other social factors.

There are three other significant groups of the Sri Lankan conflict-displaced today i.e. Tamils living in refugee camps in India, the IDPs displaced from the military high security zones in Jaffna and the plantation workers who had fled to the North in 1977 and 1983, and were displaced once again in the 1990s. The IDA funded North East Housing Reconstruction Project (NEHRP) includes some provision for these groups once the political conditions that impede their return are resolved. Nearly 325 returnee households from Puttalam were also assisted under NEHRP in 2005. However, those IDPs who choose to remain in Puttalam have not yet been accommodated under NEHRP since that district is outside the jurisdiction of the North East Provincial Council.

2. Objectives

The development objectives of the proposed Puttalam Housing Project are to: (i) meet the housing needs of the conflict-affected population in Puttalam District, with the caveat that IDPs in Puttalam would be integrated into their current location of choice; and (ii) provide

² A further 700,000 people left the country during the civil conflict.

³ IDPs in Sri Lanka live in collective accommodation called welfare centers similar to refugee camps elsewhere. The camps are located mainly in public land provided by the Government, religious institutions, or local communities.

⁴ The 2006 survey was a revalidation of the 2004 Welfare Centers Survey in Puttalam.

⁵ Census of Population and Housing 2001, Department of Census and Statistics.

drinking water, sanitation, and internal roads for IDPs and selected non-IDPs. IDA funds are proposed for the construction of about 5,800 new houses and the completion of 1,200 half-completed/semi-permanent houses⁶.

3. Rationale for Bank's involvement

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

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

4. Description

The proposed Puttalam Housing Project would have the following components:

a. *Housing Support Cash Grant* - The Project would provide housing support cash grants to eligible IDPs to construct permanent houses or upgrade partially built houses in select refugee camps. The cash grants would be of two categories: (a) Rs.250,000 for the construction of a permanent house, and (b) Rs.100,000 to upgrade a partially-completed house to the level of a completed 'core house'. The IDA credit would provide financing for the construction of 7,000 houses, which would cost about US\$ 16.5 million. Criteria to identify refugee camps for participation in the project have already been developed. The Government would need to undertake a technical survey of housing in identified refugee camps before the appraisal.

b. *Roads* - The road component is intended to improve the condition of internal roads in identified IDP and non-IDP locations, and better integrate the two. Most internal roads are not maintained due to poor technical and financial capacity. The project would finance the construction of 100 kilometers of internal roads for selected refugee camps and adjacent villages. The Government would need to undertake a technical feasibility study for the proposed internal roads.

⁶ The final cost and number of houses will be finalized during the appraisal in September 2006.

c. *Water, Sanitation, and Environment* - The proposed credit would improve IDPs' access to safe drinking water and sanitation, and improve the environment. The Environmental Assessment identified critical environmental risks. It would be important to ensure the supply of safe drinking water for the IDPs and selected non-IDPs. It is estimated that an amount of US\$7.0 million (US\$5.6 million for physical facilities, and US\$1.4 million for technical assistance and operating cost) would be required to provide water and sanitation to a target of 14,800 IDP and non-IDP beneficiaries. The Government would need to undertake a concept feasibility study for the provision of clean drinking water to be funded under the PPF.

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

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

5. Project Cost

The cost of the proposed project is estimated to be US\$26 million, of which IDA provides US\$25 million. The estimated project cost and financing would be finalized by the end of project appraisal.

6. Financing:

Borrower – US\$ 1 million

IDA – US\$ 25 million

Total Program Cost – US\$ 26 million

IDA processed a Project Preparation Facility (PPF) of US\$ 100,000 in June 2006 in response to the Government's request for funds for up front preparation. This is an advance on the Credit of US\$25 million.

7. Implementation

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

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

The IDPs living in the welfare centers are not mapped to any of the 4 relevant Divisional Secretariats in Puttalam district. Not only are they not entitled for financial assistance under regular Government welfare programs, but they face numerous difficulties in obtaining legal and administrative documents. In light of these problems, the Government established the Secretariat for Northern Displaced Muslim (SNDM) to address such issues and respond to the social and economic needs of the IDPs⁷.

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

8. Lessons learned from past operations in the country/sector

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

In addition, a feasibility study is being carried out on the housing finance market in the North East with the objective of developing such a market in the conflict-affected regions. As the NEHRP finance the reconstruct of only less than 20 percent of the damaged houses, creating a housing finance market for the remaining IDPs in important to ensure

⁷ The SNDM is mapped to the Ministry of Resettlement by the Gazette notification of November 25, 2004 and would act as the equivalent of the Divisional Secretariat for the IDPs.

sustainability of the housing market in the North East. There will be lessons learned from this study and possible housing market development experience under the NEHRP.

9. Environment Aspects (including any public consultation)

The proposed Puttalam Project includes improvement of Water, Sanitation, and Environment for the IDPs and selected non-IDPs. An Environmental Assessment (EA) which was prepared for 50 selected refugee camps highlighted key environmental risks. Critical environmental risks include: (a) lack of access to safe drinking water; (b) inappropriate method of excreta disposal in areas with high ground water table; and (c) water stagnation and flooding of settlements. Other environmental issues which need to be addressed through site-specific Environment Management Plans (EMPs) include (i) haphazard disposal of garbage, (ii) destruction of mangroves, (iii) sand mining within and near settlements, and (iv) exposure to pollution from waste channels of prawn farms.

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

UNICEF provides assistance to the Government to improve water and sanitation to IDP camps in Puttalam district through feasibility studies, field surveys, community mobilization, design, and implementation of water and sanitation schemes in 6 IDP camps (4 in Puttalam division and 2 in Kalpitiya division) and non-IDP settlements around them. UNICEF effort will cover about 2,000 families at an estimated cost of about \$2.0 million in a period of 2 years.

One of the important components of this proposed Puttalam project is to provide water and sanitation to a target of 14,800 IDP and non-IDP beneficiaries, in collaboration with the Government and the UNICEF. Therefore, the criteria for the selection of IDP camps and non-IDP villages will include environmental and social sustainability. In terms of environmental sustainability, issues of the physical environment, water and sanitation would be factored in when selecting the IDP and non-IDP settlements.

10. Contact Points

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Note: This is information on an evolving program. Certain components may not be necessarily included in the final program.