

Grant Assistance

JFPR: SRI 39183

Proposed Grant Assistance to Sri Lanka for the Public Works Restoration and Rehabilitation of Line Drainage Systems of Tsunami-Affected Local Government Roads (Financed by the Japan Fund for Poverty Reduction)

September 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 June 2005)

Currency Unit	=	Sri Lanka rupee/s (SLRe/SLRs)
\$1.00	=	SLRs99.00
SLRe1.00	=	\$ 0.01

ABBREVIATIONS AND ACRONYMS

ADB	–	Asian Development Bank
JBIC	–	Japan Bank for International Corporation
JFPR	–	Japan Fund for Poverty Reduction
LGR	–	local government road
MOPCLG	–	Ministry of Provincial Councils and Local Government
NGO	–	nongovernment organization
PIU	–	project implementation unit
SLRM	–	Sri Lanka Resident Mission
TAA	–	tsunami-affected area
TAPP	–	tsunami-affected poor people

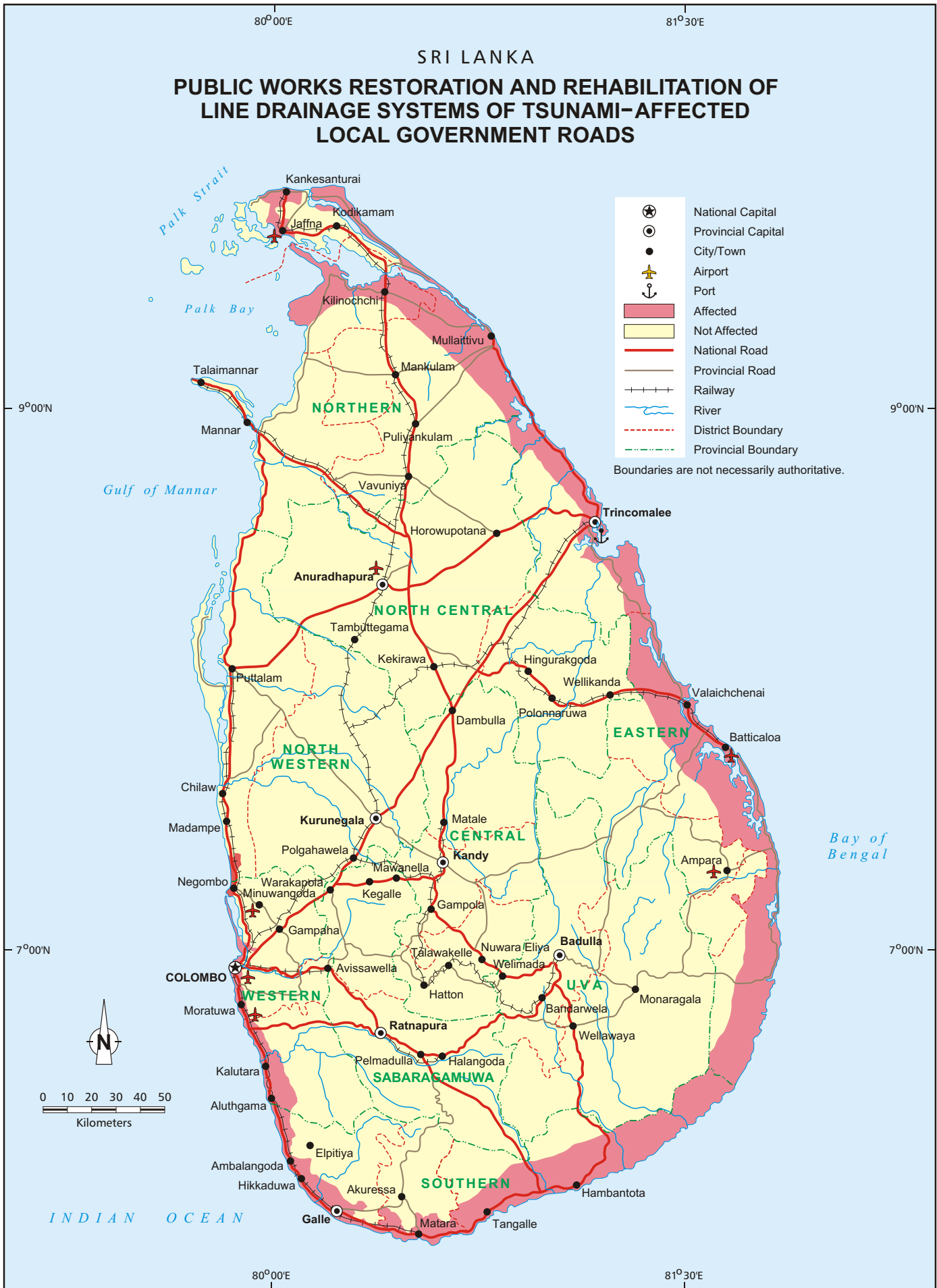
NOTE

In this report, "\$" refers to US dollars.

This report was prepared by K. M. Tilakaratne.

SRI LANKA

PUBLIC WORKS RESTORATION AND REHABILITATION OF LINE DRAINAGE SYSTEMS OF TSUNAMI-AFFECTED LOCAL GOVERNMENT ROADS



JAPAN FUND FOR POVERTY REDUCTION (JFPR)

GRANT PROPOSAL

I. Basic Data

Name of Proposed Activity	Public Works Restoration and Rehabilitation of Line Drainage Systems of Tsunami-Affected Local Government Roads
Country	Sri Lanka
Grant Amount Requested	\$2,000,000
Project Duration	1 year
Regional Grant	No
Grant Type	Project

II. Grant Development Objectives and Expected Key Performance Indicators

<p>Grant Development Objectives:</p> <p>The primary objective of the Project is to improve the quality of life for tsunami-affected poor people (TAPP) through a cash-for-work program that (i) generates income for TAPP and (ii) rehabilitates line drainage systems of the tsunami-affected local government roads, thereby restoring sustainable local road networks for residents' use as they restart their livelihood activities in the tsunami-affected area.</p> <p>The Project will be implemented taking into account the donors' and nongovernment organizations' (NGOs') programs in the TAAs. It will complement the Government's activities in the project area as well as the income-generating programs implemented by other donors and NGOs for TAPP.</p>
<p>Expected key performance indicators:</p> <ul style="list-style-type: none"> • Provide income-generating opportunities to 4,500 TAPP, including women, for 4 months • Rehabilitate about 500 kilometers (km) of line drainage for tsunami-affected local government roads

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditure

Category	Amount of Grant	Percentage of Expenditures
1. Civil works payments (cash for work) for TAPP	1,704,000	85.2
2. Equipment, hardware, and materials	164,600	8.2
3. Training, workshops, and public campaigns	16,000	0.8
4. Consulting services	10,000	0.5
5. Project management	59,500	3.0
6. Contingencies	45,900	2.3
Total	2,000,000	100.0

JAPAN FUND FOR POVERTY REDUCTION

JFPR Grant Proposal for Tsunami Disaster Projects

Background Information

A. Other Data

Date of Submission of Application	
Project Officer	K. M. Tilakaratne, Programs/Implementation Officer
Project Officer's Division, e-mail, Phone	Sri Lanka Resident Mission (SLRM) of Asian Development Bank (ADB) ktilakaratne@adb.org 94-11-2387055
Other Staff Who Will Need Access to Edit/Review the Report	Alessandro Pio, Country Director Amarasena Gamaathige, Social Development Specialist
Sector	Social
Theme	Restoration of Income Activities of Tsunami-affected People
Targeting Classification	Targeted Intervention
Was JFPR Seed Money used to prepare this grant proposal?	Yes [X] No []
Have SRC comments been reflected in the proposal?	Requirement for SRC was waived by DG, SARD
Executing Agency	Ministry of Provincial Councils and Local Government
Grant Implementing Agencies	Western Provincial Council (Tel: 94-11-2698409) Southern Provincial Council (Tel: 94-91-2232343) North East Provincial Council (Tel: 94-26-2222012)

B. Details of the Proposed Grant

1. Description of Components, Monitorable Deliverables/Outcomes, and Implementation Timetable

Component A	
Component Name	Restoration of Income Opportunities for Tsunami-affected People (Cash for Work)
Cost (\$)	1,847,000
Subcomponent 1	Payment for Tsunami Beneficiaries (\$1,600,000)
Component Description	<p>The tsunami affected 500,000 people, of whom 180,000 lost their incomes. Most tsunami-affected poor people (TAPP) still depend on government welfare programs and have insufficient income opportunities to restore their former standard of living. Most fishermen who lost their boats and fishing equipment are still awaiting their boats' repair or replacement. In the meantime, the Project will provide income opportunities to TAPP to enhance their standard of living.</p> <p>Item</p> <ul style="list-style-type: none"> - Select about 4,500 male and female workers from among TAPP. <p>Location</p> <ul style="list-style-type: none"> - TAPP to be selected from the tsunami-affected area (TAA) in Western, Southern, and North East provinces. <p>Component details</p> <ul style="list-style-type: none"> - The TAPP to be selected must (i) be from the TAA, (ii) have been affected by the tsunami, (iii) have lost income sources, and (iv) live

		<p>below the poverty line.</p> <ul style="list-style-type: none"> - Two days of training will be provided by NGOs for the road workers selected to carry out rehabilitation works. - TAPP will be identified and selected by NGOs in consultation with district and divisional secretaries. <p>Operation and management staff</p> <ul style="list-style-type: none"> - The project implementation unit (PIU) will pay NGOs directly for implementing this program, and NGOs will pay the beneficiaries. - NGOs will submit the list of selected TAPP to the Government and ADB for approval.
	Monitorable Deliverables/Outputs	<ol style="list-style-type: none"> 1. Number of male and female road workers offered income-generating opportunities 2. Improvement in TAPP living conditions
	Implementation of major activities: Number of months for grant activities	<p>One beneficiary selected from each qualified family for 4 months of employment</p> <p>12 months</p>
Subcomponent 2		
Component Name		Improvement of Drainage System for Local Roads
Cost (\$)		127,000
	Component Description	<p>Item</p> <ul style="list-style-type: none"> - Improvement of line drainage systems for 500 km of local government roads (LGRs) affected by the tsunami <p>Location</p> <ul style="list-style-type: none"> - The LGRs will be selected from <i>pradeshiya sabhas</i> (local councils), urban councils, and municipal councils in Southern and North East provinces, and the southern part of Western Province. <p>Component details</p> <ul style="list-style-type: none"> - The list of LGRs will be submitted by local government authorities (LGAs) to the PIU. - The LGRs to be selected must (i) have been damaged by the tsunami, (ii) be identified and prioritized based on damage assessment and beneficiary consultations, (iii) be suitable for labor-intensive repair techniques, (iv) not require land acquisition or involuntary resettlement to accommodate works, and (v) allow for works completion within the project implementation period. - Improvement will include the cleaning, excavating, and minor repair of culverts. - Workers' tools will be provided by LGAs, if available, or otherwise procured by the Project and handed over to the relevant LGAs after the Project. <p>Operation and management</p> <ul style="list-style-type: none"> - Drainage systems will be improved through NGOs under the supervision of the PIU and the technical officers of local authorities.
	Monitorable Deliverables/Outputs	500 km of local roads with drainage systems rehabilitated and improved
	Implementation of major activities: Number of months for grant activities	<p>Individual road subprojects starting at different times and reaching completion within 4 months</p> <p>12 months</p>

Subcomponent 3	
Component Name	Implementation through NGOs
Cost (\$)	120,000
Component Description	<p>Item:</p> <ul style="list-style-type: none"> – Selection of 10–15 implementing NGOs (Appendix 3) that have (i) a constitution with office bearers and permanent staff, (ii) clear, audited accounts, (iii) physical and financial resources, and (iv) experience in performing tsunami- or conflict-related small-scale infrastructure works in the district. <p>Location:</p> <ul style="list-style-type: none"> – NGOs will be selected from the TAA. <p>Component details:</p> <ul style="list-style-type: none"> – NGOs will be selected by ADB in consultation with the relevant provincial authorities. – NGOs with experience in implementing cash-for-work programs in the TAA or conflict-affected areas will be preferred. <p>Operation:</p> <ul style="list-style-type: none"> – NGOs will identify and select the beneficiary workers. – NGOs will implement rehabilitation and improvement works for drainage systems. – ADB will pay NGOs directly for implementing the program. – NGOs will pay beneficiaries directly on a work-for-cash basis. – NGOs will provide brief monthly progress reports to ADB and the executing agency. – NGOs will have an agreement with ADB and the Government for implementation. <p>Supervision:</p> <p>PIU and technical officers from local government agencies will supervise the activities of NGOs.</p>
Monitorable Deliverables/Outputs	<ol style="list-style-type: none"> 1. Number of NGOs selected to implement the program 2. Community feedback on NGO performance
Implementation of Major Activities: Number of months for grant activities	<ol style="list-style-type: none"> 1. Selection of NGOs and their selection, in turn, of TAPP for road works and implementation of Project activities 2. Training of selected workers, if necessary, as directed and guided by the PIU <p>12 months</p>

Component B	
Component Name	Project Administration, Implementation Support, and Monitoring
Cost (\$)	110,100
Component Description	<ul style="list-style-type: none"> – Support operational costs for the PIU – Advertise in newspapers for and appoint the project director, accountant, computer operator, and driver. – Purchase a vehicle for project management. – Purchase office equipment: computers, photocopier, furniture, and fax machine. – Provide cost of project supervision and coordinating by LGAs. – Select an independent private auditing firm. – Carry out annual auditing for the project accounts. – Submit the annual audit report to ADB and the executing agency.
Monitorable Deliverables/	<ul style="list-style-type: none"> – PIU office equipped. – Project staff and coordinators appointed.

	Outputs	
	Implementation of major activities: Number of months for grant activities	<ul style="list-style-type: none"> – Support project administration for the duration of the project. – – 12 months

2. Financing Plan for Proposed Project to be Supported by JFPR (Fund Flow Chart is in Annex 1)

Financier	Amount (\$)
Japan Fund for Poverty Reduction	2,000,000
Other Sources (Communities)	
Total	2,000,000

3. Genesis

The scale of devastation caused by the tsunami on 26 December 2004 in the coastal belt of Sri Lanka is well known. It affected everyone living in the coastal belt of Western, Southern, and North East provinces and left most people destitute and without livelihoods.

Most existing income-generating opportunities in the coastal belt, including micro, small, and medium-sized businesses and local fisheries, were destroyed by the tsunami, creating large-scale unemployment. The International Labour Organization has estimated that the unemployment rate of the TAA increased from 12% to 20% after the tsunami. Many affected small businesses were owned by recipients of loans provided by banking societies under the Government's poverty-alleviating Samurdhi Authority. These beneficiaries' assets, which provided livelihoods, were destroyed by the tsunami, creating an urgent need to rehabilitate the local economic and social systems.

After the Government asked ADB for emergency assistance to rehabilitate the TAA, ADB carried out a needs assessment with the assistance of the World Bank and Japanese Bank for International Cooperation to identify urgent requirements and estimate the amount of rehabilitation assistance needed. Based on these findings, ADB developed an emergency assistance package to meet urgent, short-term requirements. The Project is proposed by ADB to improve the livelihoods of TAPP by providing income opportunities as urgently required for a short period.

4. Innovation

The Project is innovative as it will

- (i) improve the living conditions of TAPP by providing income opportunities,
- (ii) ensure the participation of beneficiary communities in Project implementation,
- (iii) link poverty reduction to the TAPP,
- (iv) help improve the quality of life of children among the TAPP in the long term,
- (v) encourage TAPP to be involved in income-generating activities,
- (vi) develop a mechanism of community involvement through cost-sharing and training of the beneficiary groups, and
- (vii) improve the condition and maintenance of the systems draining tsunami-affected LGRs.

5. Sustainability

Increasing incomes of TAPP will be a sustainable way of reducing their vulnerability. Human capital is the primary asset of the TAPP. Developing human capital is fundamental to reducing poverty, which was worsened by the tsunami. Improving the work capacity of TAPP will prepare them to find suitable income opportunities after the Project.

The project consultant and provincial councils will develop procedures for maintenance by road workers involving the beneficiary communities themselves. Attempts will be made to institutionalize the key initiatives of the Project within the government system, even though affected people in fishing communities will return to their original income sources after the Project and the restoration of their boats.

6. Participatory Approach

The Project is designed to provide income opportunities to TAPP for only a short period. TAPP who live below the poverty line (Samurdhi recipients) and lost income sources will participate in implementing the project as beneficiaries. Taking responsibility for implementing the works will prepare the TAPP, particularly women, for involvement in future development activities. The Project can serve as a model and catalyst for participatory processes, demonstrating to government agencies and other intermediaries the feasibility and utility of participatory approaches.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
<p>TAPP: Some 180,000 TAPP, most of whom live in welfare camps maintained by the Government, are the primary beneficiaries. One member from each family that meets the selection criteria will be selected to participate in the planning and implementation of project activities and receive cash for work.</p> <p>NGOs: At least 10 NGOs in the TAA and able to meet other selection criteria will receive payment from ADB and pay TAPP on a cash-for-work basis.</p> <p>Local government authorities: As those responsible for tsunami-affected LGRs, local government authorities will submit a list of priority roads whose drainage systems require rehabilitation, help the PIU supervise the Project, and maintain the rehabilitated roads.</p>	<p>Provincial Councils: The Western, Southern, and North East provincial councils will be the implementing agencies. They will teach local government authorities to identify roads and make arrangements for implementation. They will also help ADB select NGOs.</p> <p>Ministry of Provincial Councils and Local Government (MOPCLG): It will be the Executing Agency for the Project. It will coordinate the Project at the national level and provide logistic facilities to the PIU.</p>

ADB = Asian Development Bank, NGO = nongovernment organization, LGR = local government road, PIU = project implementation unit, TAA = tsunami-affected area, TAPP = tsunami-affected poor people.

7. Coordination

The Sri Lanka Resident Mission (SLRM) is coordinating with all bilateral and multilateral donors on tsunami-related projects. With the assistance of donors and other agencies, ADB has already conducted a needs assessment for rehabilitating the TAA. SLRM prepared the proposed Project in consultation with the Japan International Cooperation Agency, the Embassy of Japan, and the International Labour Organization. It is conceptually linked to the programs being implemented by other donors and NGOs. SLRM's major role in donor

coordination for tsunami-related projects will help ensure that the Project's outcomes are communicated to the donor community.

MOPCLG will coordinate the Project at the national level and provide information on project activities to donors and other government agencies. A project coordination committee will be established with representatives from key stakeholders: MOPCLG, project provincial councils, and the Ministry of Finance. The exact composition of the committee will be determined at project inception.

8. Detailed Cost Table

Please refer to Appendix 1 for the fund flow arrangements and Appendix 2 for the detailed cost estimates.

C. Implementation of the Proposed Grant

Implementing Agency	Provincial councils of the Western, Southern, and North East provinces
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Under MOPCLG, the provinces will appoint project coordinators for implementation through the LGAs and NGOs. Technical officers of the LGAs will supervise the Project along with the PIU, which will be set up to manage project implementation under the direct supervision of SLRM and MOPCLG. The PIU, located in MOPCLG, will be headed by a project director appointed by SLRM. The PIU will report on project progress to MOPCLG and ADB.

The proposed project coordination committee will review the progress of the Project with representation from MOPCLG, the Ministry of Finance, project provinces, and the Embassy of Japan. The committee will meet at least once every 2 months to discuss project implementation and links with counterpart projects and any issues that may arise. The committee will approve the work plan and budget, review progress, guide the project, and provide policy support. SLRM will chair committee meetings.

The Project will be implemented for 1 year by NGOs with experience in implementing cash-for-works programs.

1. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Beneficiary selection	Because 500,000 people were affected by the tsunami, selection of poor people will be difficult.	Correct identification information will be obtained from the relevant government agencies at the local level.
Cost	As many NGOs in the tsunami-affected areas are already busy, engaging their services may be very expensive.	Every effort will be made to get good NGOs at reasonable cost through quality- and cost-based selection.

NGO = nongovernment organization.

2. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
NGOs appointed to implement the Project	Progress reports	Monthly reports from PIU. Quarterly mission review by ADB.
At least 4,500 male and female TAPP recruited for cash-for-works program	Progress reports	Monthly reports from PIU and NGOs. Quarterly mission review by ADB. Progress review by project coordinating committee
Line drainage systems of tsunami-affect LGRs rehabilitated	Progress reports	Monthly reports from PIU. Quarterly mission review by ADB.
Living conditions improved for TAPP	Progress reports	Monthly reports from PIU. Quarterly mission review by ADB.

ADB = Asian Development Bank, LGR = local government road, PIU = project implementing unit, TAPP = tsunami-affected poor people.

3. Estimated Distribution Schedule

Fiscal Year (FY)	Amount (\$)
2005	750,000
2006	1,250,000
Total	2,000,000

Appendixes

Appendix 1: Fund Flow Arrangements

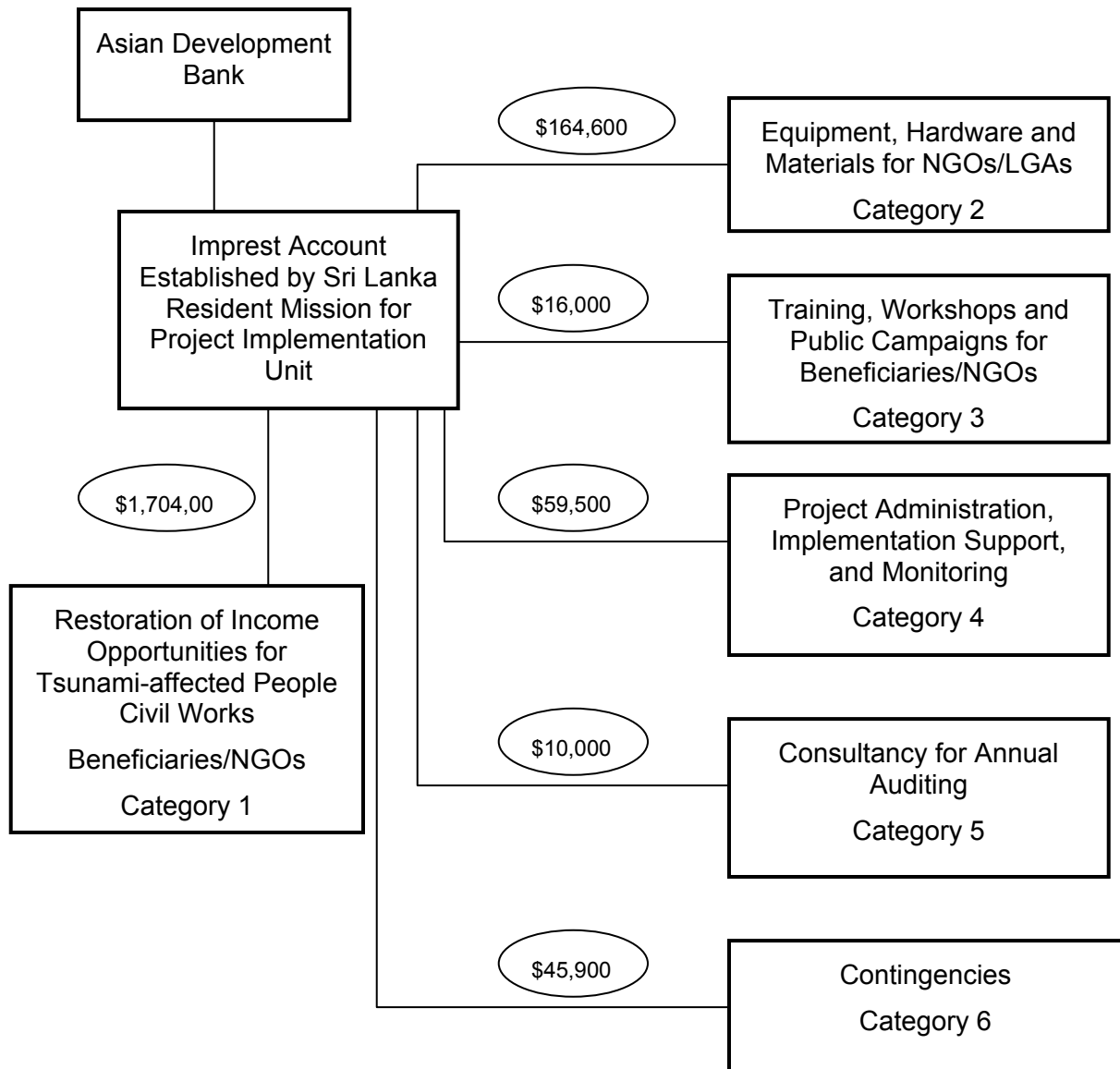
Appendix 2: Table A2.1 Summary Cost Table

Table A2.2 Detailed Cost Estimates by Component

Appendix 3: Implementation Arrangements

Appendix 4: Terms of Reference for Consultants

FUND FLOW ARRANGEMENT



LGA = local government authorities, NGO = nongovernment organization.

Table A2.1. SUMMARY COST TABLE
(\$'000)

Project Inputs	Subcomponent A.1	Subcomponent A. 2	Subcomponent A.3	Component B	Contingency	Sub-total	Percent
	Income Opportunities	Rehabilitation Drainage Systems	Implementation through NGOs	Project Management and Administration			
1. Civil Works (including cash payment for workers)	1,584.0		120.0			1,704.0	84
2. Equipment, Hardware, and Material (e.g., tools, construction materials, communications, office equipment, furniture, vehicle, etc.)		127.0		37.6		164.6	8
3. Training, Workshops, Public Campaigns (e.g., resource persons, technical training for workers, awareness program for NGOs, and related costs)	16.0					16.0	1
5. Consulting Services (annual audit)				10.0		10.0	0.5
6. Project Management (including management of the Project Implementation Unit and the specific components, wages for staff, per diem for government staff and local volunteers, rental, O&M, and recurrent costs)				59.5		59.5	3
7. Contingencies (0–10% of total estimated grant fund)					45,900	45.9	2.2
Subtotal JFPR-financed	1,600.0	127.0	120.0	107.1	45,900	2,000.0	
Government Contribution (office building for PIU)				30.0	0	30.0	1.3
Total Project Costs	1,600.0	127.0	120.0	110.1	45,900	2,030.0	100

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction, O&M = operation and maintenance, PIU = project implementation unit. Use of contingencies requires prior approval from ADB.

Source: Project Report

Table A2.2: Detailed Cost Estimates by Component
(\$)

Supplies and Services Rendered	Costs				Contributions				
	Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Donors	Communities
				Amount	Amount	Method of Procurement	Amount	Amount	Amount
Component 1. Restoration of Income Opportunities for Tsunami-affected people			Subtotal	1,600,000	1,600,000	0	0	0	0
Subcomponent 1.1; Payment for Tsunami Beneficiaries									
1.1.1 Payment for Tsunami Beneficiaries			Subtotal	1,584,000	1,584,400	0	0	0	0
1.1.1.1 Western Province	No.	500	4mx\$88/m	176,000	176,000	DP	0	0	0
1.1.1.2 Southern Province	No.	1,500	4mx\$88/m	528,000	528,000	DP	0	0	0
1.1.1.3 North East Province	No.	2,500	4mx\$88/m	880,000	880,000	DP	0	0	0
							0	0	0
1.1.2 Training and workshops			Subtotal	16,000	16,000		0	0	0
1.1.2.1 Western Province	No.	2	800	1,600	1,600	DP	0	0	0
1.1.2.2 Southern Province	No.	8	800	6,400	6,400	DP	0	0	0
1.1.2.3 North East Province	No.	10	800	8,000	8,000	DP	0	0	0
Subcomponent 1.2. Rehabilitation of Drainage System for Local Roads			Subtotal	127,000	127,000		0	0	0
1.2.1 Tools			Subtotal	32,000	32,000		0	0	0
1.2.1.1 Hoes	No.	1,500	10	15,000	15,000	LCB	0	0	0
1.2.1.2 Axles	No.	1,000	8	8,000	8,000	LCB	0	0	0
1.2.1.3 Pans	No.	1,500	6	9,000	9,000	LCB	0	0	0
1.2.2 Materials			Subtotal	95,000	95,000		0	0	0
1.2.2.1 Sand	m ³	1,000	25	25,000	25,000	LCB	0	0	0
1.2.2.2 Metal	m ³	500	40	20,000	20,000	LCB	0	0	0
1.2.2.3 Cement	Bag	10,000	5	50,000	50,000	LCB	0	0	0
Subcomponent 1.3. Implementation through NGOs			Subtotal	120,000	120,000		0	0	0
1.3.1 Selection of NGOs			Subtotal	1,000	1,000		0	0	0
1.3.1.1 Advertisement	No.	2	300	600	600	DP	0	0	0
1.3.1.2 Evaluation of proposals	Lump sum	0	0	400	400	DP	0	0	0

Supplies and Services Rendered	Costs				Contributions				
	Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Donors	Communities
				Amount	Amount	Method of Procurement	Amount	Amount	Amount
Component 2. Project Administration, Implementation Support, and Monitoring			Subtotal	97,100	97,100		30,000	0	0
2.1 Establishment of Project Implementation Unit (PIU)			Subtotal						
2.1.1 Office building							30,000		
2.1.2 Equipment and furniture for PIU			Subtotal	37,600	37,600			0	0
2.1.2.1 Desktop computers	No.	3	1,000	3,000	3,000	DP	0	0	0
2.1.2.2 Photocopier	No.	1	1,500	1,500	1,500	DP	0	0	0
2.1.2.3 Vehicle	No.	1	30,000	30,000	30,000	DP	0	0	0
2.1.2.4 Color printer	No.	1	1,000	1,000	1,000	DP	0	0	0
2.1.2.5 Cupboards	No.	3	200	600	600	DP	0	0	0
2.1.2.6 Chairs	No.	5	200	1,000	1,000	DP	0	0	0
2.1.2.7 Fax machine	No.	1	500	500	500	DP	0	0	0
2.2 Coordinating Allowance			Subtotal	5,000	5,000		0	0	0
2.2.1 Provincial coordinators	No.	3	300	900	900	DP	0	0	0
2.2.2 Local Government Authorities' coordinators	No.	17	240	4,100	4,100	DP	0	0	0
2.3 Management and Administration			Subtotal	64,500	54,500		0	0	0
2.3.1 Staff salary	Lump sum			45,000	45,000		0	0	0
2.3.2 Travel, per diem	Lump sum			7,500	7,500		0	0	0
2.3.3 Operational Costs	Lump sum			2,000	2,000		0	0	0
2.3.4 Newspaper advertisement	No.	1	200	200	200	DP	0	0	0
2.3.5 Audit consultants	Lump sum			9,800	9,800	QCBS	0	0	0
Components 1 to 2 = Subtotal			Subtotal	1,954,100	1,954,100		30,000		
Contingency (Max 4.6% of Total JFPR Contribution)				45,900	45,900		0	0	0
Total Project Cost				2,000,000	2,000,000		30,000	0	0

DP = direct purchase, JFPR = Japan Fund for Poverty Reduction, LCB = local competitive bid, NGO = nongovernment organization, PIU = project implementation unit.

Source: Project Report.

IMPLEMENTATION ARRANGEMENTS

A. The Executing Agency and Implementing Agencies

1. **Executing Agency.** The Ministry of Provincial Councils and Local Government (MOPCLG) will be the Executing Agency for the Project. The MOPCLG will appoint a coordinator to work with the implementing agencies and project implementation unit (PIU), which will be managed by the Sri Lanka Resident Mission (SLRM).

2. **Implementing Agencies.** The Western, Southern, and North East provincial councils will be the main implementing agencies for the Project. The implementing agencies will appoint project coordinators to implement the Project through local authorities. The Project will finance the payment of allowances for the project coordinators in implementing agencies and local authorities. The Project will be implemented through nongovernment organizations (NGOs), which, under the supervision of the PIU, will identify tsunami-affected poor people (TAPP) and rehabilitate road drainage systems.

3. **Project Implementation Unit.** An independent PIU, comprising a project manager, accountant, computer operator, and support staff, will be established under the direct administration of SLRM, which will recruit PIU staff with a newspaper advertisement, in consultation with the Central Operations Services Office of ADB.

4. The PIU will contract about 10–15 NGOs with community participation and experience in implementing cash-for-work programs. The NGOs will implement the Project at the community level, having entered into implementation agreements with the provincial councils and ADB.

5. A project coordinating committee will be established under MOPCLG to oversee the PIU. It will be chaired by SLRM and will comprise representatives of MOPCLG, project provinces, Ministry of Finance, and relevant local government authorities (LGAs). It will meet every month from the onset of project implementation to assess progress and resolve issues.

6. **Management Finance and Support.** The Project will finance the staff of the PIU, shouldering their salaries and operational expenses for 1 year. The Project will also support technical staff in the provincial councils (Local Government Commission) and the LGAs to supervise the works. The Project will finance independent annual audit reports as well as the purchase of one pickup truck and minimal office equipment to expedite project activities. These assets will be turned over to MOPCLG for tsunami rehabilitation work after completion of the Project.

B. Coordination with Other Donors

7. Other donors and NGOs implementing cash-for-work programs and projects in the tsunami-affected area have been consulted on possible areas of cooperation and coordination. The proposed project components and activities are intended to complement, not duplicate, the efforts of development partners.

C. Implementation Schedule

8. The Project is to be implemented over 1 year. Project preparation activities encompassed preparing the project administration memorandum, mobilizing the PIU and support staff, and engaging and mobilizing NGOs. Project preparation was completed by July 2005, with full cooperation of the participating the government agencies and communities.

D. Procurement

9. Any procurement under the Project will be conducted in accordance with ADB's *Guidelines for Procurement*. Procurement will be included civil works packages and equipment, including furniture, computers, vehicle, tools, etc. Procurement will be by local competitive bidding, direct purchase and community participation. NGOs will select tsunami-affected people for civil works using selection criteria agreed with government agencies. The detailed selection criteria for tsunami-affected people and NGOs, and implementation arrangements, will be included in the project administration memorandum that was to be completed by end of July 2005.

10. Project consultants and service providers will be recruited according to ADB *Guidelines on the Use of Consultants* (2005) and other arrangements satisfactory for the engagement of domestic consultants. The proposed consultants for the annual audit will be selected by December 2005 and December 2006. The terms of reference for consulting services are in Appendix 4.

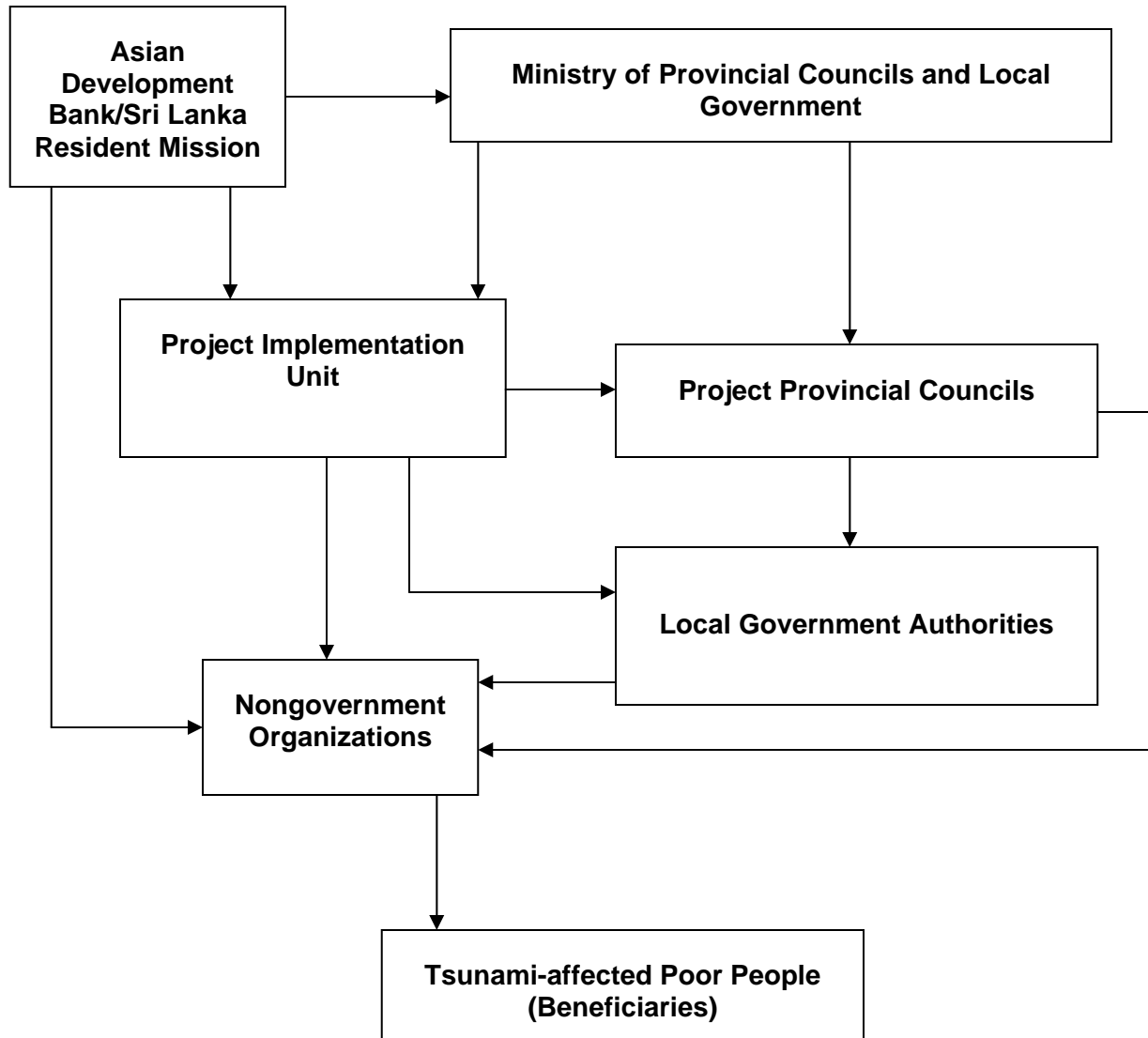
E. Disbursement

11. An imprest account will be established under SLRM and managed by the PIU under direct supervision of SLRM. All disbursements will be channelled through the PIU, for which a full-time accountant will be appointed. The imprest account shall be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (January 2001), as amended from time to time, and detailed arrangements agreed upon between the Government and ADB. The amount to be deposited into the imprest account shall not exceed the equivalent of \$750,000 or 3 months' estimated expenditures, whichever is lower. The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account per individual payment transaction not exceeding the equivalent of \$10,000.

12. ADB will channel JFPR funds directly to a JFPR imprest account, which will be opened and managed by the project management unit at SLRM. The following will be funded through the imprest account: (i) disbursements to TAPP and NGOs for labor and implementation cost; (ii) disbursements to LGAs, MOPCLG, and the provincial councils for project coordination; and (iii) disbursement to the PIU for project management and annual auditing costs.

13. The PIU will submit monthly progress reports. Annual audited projects accounts will be submitted to ADB within 6 months of the end of each fiscal year. A project completion report will be submitted by the PIU within 3 months of project completion.

Figure A3: Schematic Implementation Arrangements



F. Selection Process

13. MOPCLG will be the Executing Agency for the Project. It will appoint a coordinator to work with the implementing agencies and the PIU, which will be managed by SLRM. The coordinator, with assistance from divisional secretaries and district secretaries, will initiate the process through an awareness campaign using mass media and tsunami-response mechanisms. The PIU will develop a pamphlet, which will be disseminated in the Project area to inform and encourage communities, NGOs and local government officials to submit applications for project support.

G. Selection Procedures

14. The local government rural road subprojects will initially be proposed by beneficiaries, NGOs, LGAs or divisional secretaries arising from the need to restore community livelihoods and road drainage systems damaged by the tsunami. The subproject list will be presented first to the district coordinating committee of each of the 10 project districts. After approval of the district coordinating committee, district LGAs will present the proposed subproject to the PIU at MOPCLG.

15. The PIU will review each subproject to confirm that it (i) addresses the overall scope of the Project, (ii) is eligible under the selection criteria, (iii) will not create any problems in the area, (iv) has been sufficiently justified, and (v) will attain the desired outputs and benefits. The PIU will also (i) perform a detailed review of the subproject cost estimate and implementation schedule, (ii) confirm that land acquisition and resettlement is avoided, and (iii) investigate any gender-related, social or environmental concerns. Once the PIU finds that the subproject satisfies all the criteria, the project coordinating committee will give final approval through the PIU to the district LGA to prepare estimates and implementation plans.

H. Selection Criteria

16. Subprojects will be selected on the basis of the following criteria:

- (i) The subproject will directly provide income opportunities for people affected by the tsunami in Western, Southern, and North East provinces.
- (ii) The subproject provides opportunities for a reasonable balance of activities between and among communities.
- (iii) Communities affected by the subproject must have participated in its selection and design.
- (iv) Maintenance of the works done under the subproject must be reasonably certain.
- (v) The subproject can be completed within the implementation period of 4 months.
- (vi) The subproject must be technically feasible.
- (vii) No other aid agency is providing or likely to provide funding for the subproject.
- (viii) The roads to be improved should benefit a substantial portion of the village community.

17. To maximize outcomes and impacts, it would be logical to allocate the Project's financial resources among candidate districts based on indicators of poverty, vulnerability and disaster damage. However, this is constrained by the lack of accurate and comprehensive data and by the dynamic nature of the population. The tentative allocation provided in the cost estimate will be reviewed and readjusted during the implementation phase. Candidate roads in protected or landmined areas will not be considered. Selection of roads will be done in stages.

18. Beneficiaries will be one member of a family that (i) lost income sources due to the disaster, (ii) has no employment opportunities, (iii) suffers reduced access to facilities, and (iv) has a low standard of living.

19. NGOs with experience in implementing cash-for-work programs in tsunami- or conflict-affected areas will be selected by ADB in consultation with district provincial authorities. The roles of NGOs will range from capacity building to subproject implementation, including identifying, selecting, managing, and paying beneficiary workers. The LGA will need to invest considerable effort in enhancing the quality of NGOs through sharing knowledge of best practices and establishing a minimum threshold of quality performance. Ensuring that NGOs provide the best possible services demands that their service contracts be performance-based with clear terms of reference and deliverables. Payments will be based on simple measurable milestones and community feedback on NGO performance.

I. Policy Development

20. The Project additionally aims to develop a regulatory and institutional framework ensuring that (i) projects like this provide jobs exclusively to the poor, (ii) maintenance of road infrastructure in poor areas will be prioritized, and (iii) LGAs will adequately sustain a maintenance budget for the road works.

TERMS OF REFERENCE FOR CONSULTANTS

1. A public accounting firm will be engaged to conduct an annual internal audit of project accounts covering all operations at all levels. The key internal audit functions will be to ascertain (i) whether the operating systems of internal checks and controls are effective, (ii) the reliability of financial and physical reports, (iii) the extent to which the systems in place prevent misuse of project assets, and (iv) that the financial rules and procedures are followed. The auditors will be required to provide a report to the project implementation unit (PIU) highlighting findings during the audit. The audit will be conducted in accordance with internationally accepted accounting and auditing standards and financial reporting systems.

2. **Description of Services.** The scope of annual auditing should encompass the examination and evaluation of the adequacy and effectiveness of the internal control system and the quality of performance in carrying out assigned responsibilities. Annual auditors should do the following:

- (i) Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- (ii) Review the project accounts and procurement procedures to check compliance with Asian Development Bank (ADB) and Government guidelines.
- (iii) Review the means of safeguarding the assets, including civil works, goods, equipment, consultancy services, and other aspects procured under the Project and, as appropriate, verify the existence of such assets.
- (iv) Appraise the economy and efficiency with which project resources are employed.
- (v) Review the project activities to ascertain whether results are consistent with established objectives and targets and whether the project activities are being carried out as planned.

3. **Reporting Requirements.** The public accounting firm should submit reports annually, within 1 month after completion of the audit at the end of each financial year, to the project director in the PIU, secretary of the Ministry of Provincial Councils and Local Government, and Sri Lanka Resident Mission of ADB. The report should contain a letter indicating the purpose, scope, results, and major findings of the audit and, where appropriate, an expression of the audit opinion.