

Tsunami Reconstruction: A Year On



SHELTER A house being rebuilt by a tsunami-affected family

The 26th of December 2005 marks the first year anniversary of the tsunami disaster. With the initial relief work completed, the task of rebuilding is now in progress. The assistance of the Asian Development Bank (ADB), consisting of \$154 million in grants—\$150 million from the Asian Tsunami Fund and \$4 million from the Japan Fund for Poverty Reduction (JFPR)—and \$7 million in loan reallocation, is under implementation.

Houses damaged or destroyed by tsunami totaled 98,525. More than 54,000 temporary shelters were completed by November 2005. The Government established two schemes to provide permanent housing. Under the donor-built program, which is targeted at resettling those who lived within the buffer zone, construction has begun on 10,700 houses (a third of the required number). Under the home-owner driven program (outside the buffer zone), to which ADB contributed a \$7 million grant, owners receive payments to rebuild or repair their damaged houses. The first

installment of the grant has been released to 55,500 affected households (97% of those eligible). ADB also approved a grant of \$2 million, funded through the JFPR, to tsunami-affected poor to obtain utility connections for their newly reconstructed houses.

An estimated 150,000 people lost their livelihoods due to the tsunami. Approximately 75% have regained some form of livelihood. Gradually the cash transfers are being replaced by cash-for-work programs and microfinance schemes. ADB's initial disbursements have supported microfinance to rebuild livelihoods. Another JFPR grant of \$2 million was approved to provide temporary employment opportunities for the affected people.

Emergency rehabilitation of infrastructure such as water supply, electricity, railways, roads, and bridges, was carried out. Preparatory work has started on the more complex infrastructure projects such as road rehabilitation, in close coordination with other development partners. The largest component of ADB assistance, amount-

ing to \$55 million, will go to road rehabilitation. Awarding of major contracts is expected to start in the early part of 2006. ■

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In this publication, \$ refers to US dollars.

The Road to the South



SOUTHERN TRANSPORT DEVELOPMENT PROJECT A section of the road where the primary stage of the carriageway is complete

Sri Lanka's first expressway, connecting the south with the capital Colombo, is taking shape. In the section constructed by the Asian Development Bank (ADB), the last 5 kilometer stretch of right-of-way was handed over to the contractors in September 2005. The pilot road has now been completed, allowing construction vehicles to move along the entire length. Meanwhile, work has been progressing along the rest of the site. About 50% of the earthwork has been completed, and overall physical completion is about 26%.

The Southern Transport Development Project, financed by ADB and the Japan Bank for International Cooperation, is expected to bring significant benefits to the southern region by improving access for farmers, boosting industry and tourism, and reducing travel time and cost. Construction so far has focused on two lanes of what will ultimately be a four-lane limited-access highway from Kottawa at the outskirts of Colombo to Galle and Matara.

The project faced its share of road

blocks in the past, and 2005 was a year of problem solving. Controversy about the project had centered around the definition of the exact alignment of the road. Adjustments during the design stage affected the property of people who had not been consulted during earlier identification of a tentative alignment. Some of the newly affected people opposed the changes, refusing access to the surveyors and discussion with the design team. They took action first through Sri Lanka's court system, and later invoked ADB's Accountability Mechanism (*see box on page 3*).

In January 2004, the Supreme Court ruled that the appellants should be compensated for infringement of their rights, but that in the larger public interest, the highway's development should not be stopped. In July 2005, ADB's Board of Directors approved the Compliance Review Panel's report, which found a number of shortcomings in applying ADB's policies, and recommended remedial measures to bring the project back into compliance.


Even before the compliance review

started, based on internal analysis, ADB and the Government had begun implementing actions to reassess the environmental impact and identify any additional mitigation measures needed; accelerate the payment of compensation and establish an income-restoration program; upgrade utilities and infrastructure at resettlement sites; and improve information dissemination.

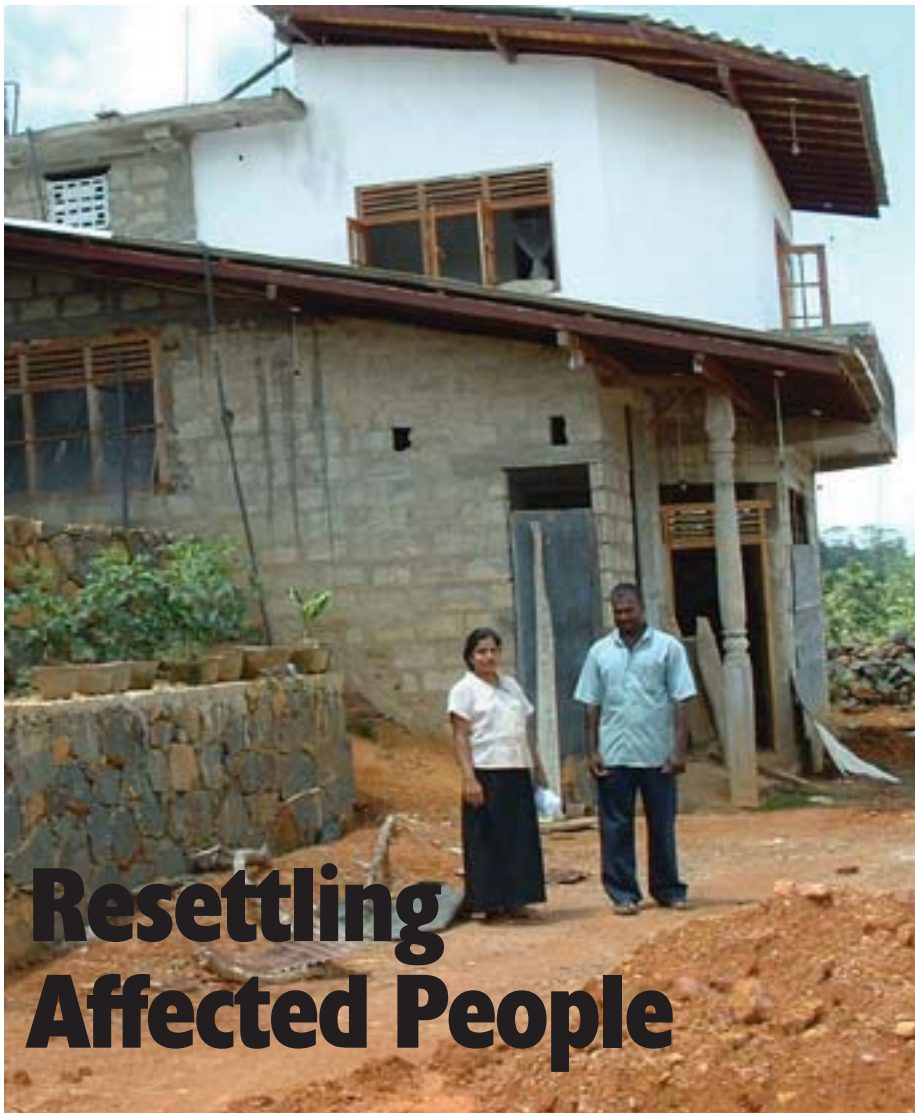
Following the Board decision, a detailed course of action has been prepared and is being monitored quarterly. The project website has been updated and expanded. Independent external monitoring of resettlement activities will also be restarted.

Given ADB's significant and continuing involvement in the road sector, the lessons learned from this first large-scale project will be incorporated in future operations, particularly strengthening resettlement and environmental monitoring and implementation capacity at the Road Development Authority, and starting early land acquisition and resettlement activities. ■

**In 2005, ADB launched the
STDP Website**

Address  <http://www.adb.org/Projects/STDP/>





Resettling Affected People

To allow construction of the Southern Expressway, 1,361 people had to be resettled at different locations. Many chose self relocation and about 30% were resettled on about 35 sites provided by the Road Development Authority (RDA). Around 6% still remain to be resettled.

Compensation paid to affected people includes payment for land, structures, crops, and loss of income. People who are not satisfied with the statutory compensation can request discussion with Land Acquisition and Resettlement Committees (LARC), and if still not satisfied, with Super-LARC, chaired by the Secretary of Highways. Around 97% of the affected people have made use of these opportunities, and as a result, compensation paid has increased by 85%. Of the affected people in the ADB section, 98% have now been compensated, but some payments (mostly for interest) are still outstanding.

Resettlement sites established 2 to 3 years ago generally display a more established community life than new sites. They have better drainage, water facilities, and

electricity. Houses are fully built, and furniture and other household items indicate better living standards. Some issues still need to be addressed, including better access roads, playgrounds, development of home gardens, and strengthening of housing societies.

Resettlement assistants (RAs) were recruited by the RDA and trained in gender and development issues and topics such as land acquisition, payment of compensation, rural banking, hygiene, and home gardens. Since bulk of the compensation has now been paid, the focus of their activities is shifting to following up on complaints, support to vulnerable people, and livelihood and income-restoration activities.

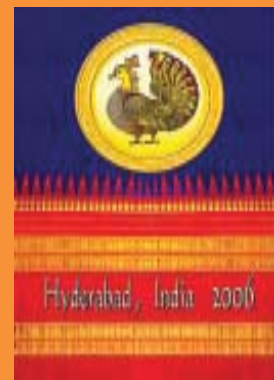
In general, affected people have used the compensation funds to build better houses, and as a result they lack funds to restore their income sources. The Sarvodaya Economic Enterprises Development Services, a nongovernment organization, has been tasked with preparing the income-restoration program and gathering additional data on and contact information of affected people. ■

ADB's Accountability Mechanism

The Accountability Mechanism was approved in May 2003 to provide better access for people adversely affected by ADB-assisted projects to voice and seek solutions to their problems and report alleged violations of ADB's operational policies and procedures.

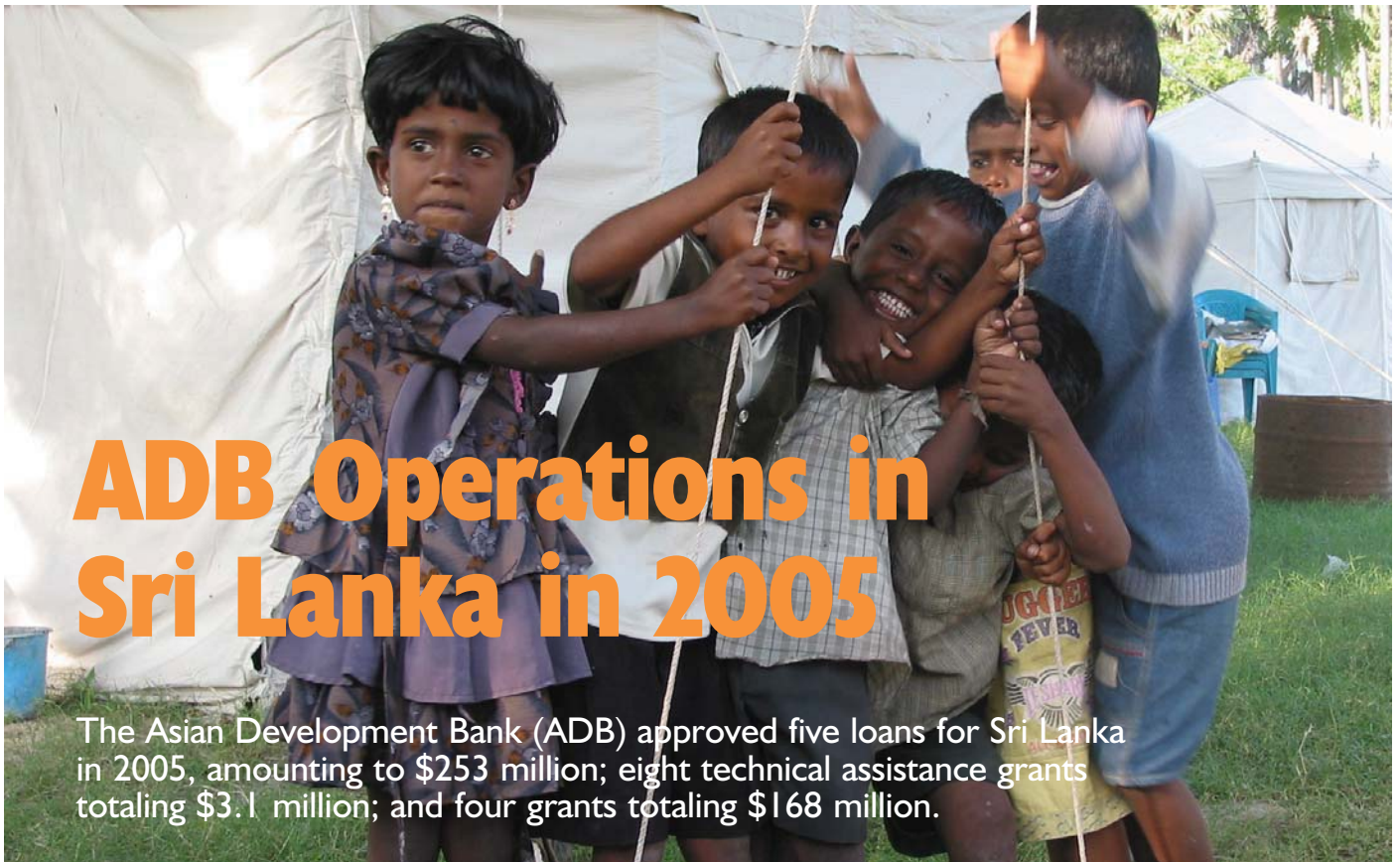
The Mechanism has two phases. The first is a consultation phase, carried out by the Special Project Facilitator, to identify issues and find possible solutions by seeking agreement among all the parties involved, including the complainant(s), project implementer, developing member country government or private sector sponsor, and ADB. The second, if necessary, is a compliance review phase, carried out by the Compliance Review Panel. Prior to each phase, the eligibility of the complaint is determined. For more information, see www.compliance.adb.org

2006 ADB Annual Meeting in Hyderabad, India



The Thirty-Ninth Annual Meeting of the Board of Governors of the Asian Development Bank will be held in the International Convention Centre, Hyderabad in Hyderabad, India from Wednesday, 3 May to Saturday, 6 May 2006.

For details see www.adb.org/AnnualMeeting/2006/



ADB Operations in Sri Lanka in 2005

The Asian Development Bank (ADB) approved five loans for Sri Lanka in 2005, amounting to \$253 million; eight technical assistance grants totaling \$3.1 million; and four grants totaling \$168 million.

Lending

A \$33 million loan and \$164 million grant package for two projects, approved in April, will help rebuild tsunami- and conflict-affected areas of Sri Lanka. The first project, funded by a \$7 million Asian Development Fund (ADF) loan, and a \$150 million Asian Tsunami Fund (ATF) grant, for the Tsunami-Affected Areas Rebuilding Project will help rapidly improve the living conditions in tsunami-affected areas by restoring basic social infrastructure, community and public services, and livelihoods. The European Commission provided a \$53.2 million grant cofinancing for this project. The second project, funded by an ADF loan of \$26 million and an ADF grant of \$14 million, for the North East Community Restoration and Development Project II will continue the Government's rehabilitation program in conflict-affected areas of the Northern and Eastern provinces. The Government of Sweden provided a \$40 million grant cofinancing for this project.

A \$20 million loan to improve technical education and vocational training (TEVT), approved in November, will build on the results of the ADB-assisted Skills Development Project. The Technical Education Development Project will raise the quality, relevance, and sustainability of the programs for technicians and technologists by developing standards, upgrading selected colleges, and boosting the capacity

of TEVT teachers and personnel.

A \$50 million loan, also approved in November, for the Local Government Infrastructure Improvement Project will improve, upgrade, and expand urban infrastructure facilities, and basic urban services (water supply, urban roads, urban drainage and sewerage, solid waste management, and small-scale community infrastructure such as basic health clinics).

A \$150 million loan, approved in December, will help upgrade about 270 kilometers of national highways in Sri Lanka, and strengthen the Road Development Authority. The project is the 11th in a series of ADB operations in Sri Lanka's road sector.

Technical Assistance

In 2005, ADB approved eight technical assistance (TA) projects totaling \$3.1 million. These include three project preparatory TA projects for the small and medium enterprise sector, tsunami needs assessment and emergency assistance implementation strategy, and the education sector development; and five advisory TA projects for conducting a needs assessment in conflict-affected areas, strengthening technical education, capacity building of the environment and social division of the Road Development Authority, strengthening local government infrastructure financing, and external monitoring of resettlement

activities of the Southern Transport Development Project.

Grants

ADB approved four grants totaling \$168 million—\$150 million from the ADB's Asian Tsunami Fund and \$4 million from the Japan Fund for Poverty Reduction (JFPR) for two projects (\$2 million each) for tsunami-related assistance; and \$14 million for the North East Community Restoration and Development II Project.

Portfolio

Portfolio size has increased from 24 loans in 2000 to 46 by end-2005 for a total net loan amount of \$1.6 billion, including \$215 million in program loans.

Of the 46 loans, 10 were financed from ordinary capital resources and 36 from the concessional Asian Development Fund. Transportation and communications is the largest sector (20% of total portfolio) followed by agriculture and natural resources (19%) and multisector (14%). As of 30 November 2005, 48% of the total approved amount has been disbursed.

As of 30 December 2005, contract awards achieved against the annual projected target of \$249 million was 81%; and disbursements were \$206 million, 81% of the annual projected target of \$254 million. ■

News Briefs

ADB Adopts New Public Communications Policy

On 1 September, the Asian Development Bank (ADB) launched its new Public Communications Policy (PCP).

The policy was developed through a 2-year consultative process using videoconference and face-to-face meetings with ADB stakeholders from the public, private, and nonprofit sectors in ADB's member countries.

To implement the strategy, the Information Disclosure Unit was established within the Department of External Relations. The policy provides a framework to enable ADB to communicate more effectively. It expands the scope and type of information ADB will make publicly available.

The Policy aims to enhance stakeholders' trust in and ability to engage with ADB.

To ensure greater transparency, ADB

is expanding the range of publicly available documentation covering both its public and private sector operations. The strategy describes the specific documents and other information ADB produces, indicates what will be made publicly available, and lists the exceptions to presumed disclosure.

To support participatory development, ADB will provide information to people affected by projects. The strategy describes how ADB staff will ensure that comments, advice, criticism, and other feedback on ADB's work are given due consideration. It also explains how ADB's response will be communicated clearly to the stakeholders who provided feedback.

The policy can be downloaded at <http://www.adb.org/Documents/Policies/PCP/> ■

\$1 Billion Assistance for Pakistan

At the International Donors' Conference in Islamabad, Asian Development Bank (ADB) President Haruhiko Kuroda announced that ADB will provide about \$1 billion in concessional support for the rehabilitation and reconstruction of earthquake-hit Pakistan.

The support will help meet the estimated \$5.2 billion required to reconstruct lost assets and restore services in Pakistan.

"I have seen people in this country literally move mountains in the effort to reach survivors and care for those in need. Let us use that same compassion, determination and sense of urgency to rebuild quickly and well—to leave a legacy of hope, rebirth and renewal for the people of Pakistan," said President Kuroda. ■

Launch of the Regional MDG II Report

In September, a report entitled *A Future Within Reach: Reshaping Institutions in a Region of Disparities to Meet the Millennium Development Goals in Asia and the Pacific*, was launched in Manila at the Asian Development Bank (ADB) headquarters. The report—produced jointly by ADB, United Nations Development Programme (UNDP), and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)—tracks progress of the region's countries in each MDG target and recommends institutional changes to achieve them. The report says none of the region's developing countries is on track to achieve all the goals. While Sri Lanka is on track in achieving most of the goals, the country is not on target in achieving the goal of reducing poverty by half by 2015.

The launch was attended by about 150 participants from Asia and the Pacific. The report was presented by Kim Hak-Su, UNESCAP Executive Secretary; Hafiz A. Pasha, UNDP Regional Director for the Bureau of Asia and the Pacific; and Geert van der Linden, ADB Vice-President (Knowledge Management and Sustainable Development). Roundtable discussions were held on the way forward for service delivery, regional cooperation, and advocacy of the MDGs.



PRESS BRIEFING (From left) Kim Hak-Su, Hafiz Pasha, and Geert van der Linden

Sri Lanka's Economic Performance in the First Half of 2005

The economy performed far better in the second quarter of 2005 at a growth rate of 6%, compared with 4.4% in the first quarter of 2005.

Growth in the second quarter improved because of (i) a strong rebound in the services sector, especially in import trade, which slumped in the first quarter because of the tsunami; and (ii) a recovery of tea, rubber and coconut-related industries.

The sectors worst affected by the tsunami, however, still continue to struggle.

Sector performance

Agriculture

The tsunami-affected fisheries industry continued to struggle over the first half of the year due to lost capacity and, as a result, overall agricultural output shrank by 2.1%. Other sectors performed well (e.g., paddy and rubber production both grew at 20.5%), but are too small to counteract a contraction of the agricultural sector.

Industry

The industrial sector picked up in the second quarter, resulting in strong, and broad-based growth of 7.3% for the first half of the year.

ECONOMIC INDICATORS, SRI LANKA

	2003	2004	First Half 2005
GDP growth (% in constant prices)	6	5.4	5.1
Merchandise export growth (annual % change)	9.2	12.2	11.5
Merchandise import growth (annual % change)	9.2	19.9	10.3
Gross official reserves (\$ million)	2,329	2,196	2,378
Consumer price index	6.3	7.6	12.6
Total liquidity (M2)	15.3	19.6	7.3

Sources: Central Bank of Sri Lanka, *Annual Report 2004*; Central Bank of Sri Lanka, *Monthly Economic Indicators May 2005*; and Central Bank of Sri Lanka, *Monetary Policy Statements* (various).

The apparel sector continued to show resilience after the phasing out of the Multifiber Agreement, growing by 8.2% in the first half of the year. Due to the constraints placed on exports from the People's Republic of China, garment exports from Sri Lanka to the United States have grown substantially.

One medium-term key challenge for sustained industrial growth is the ability of the power sector to keep up with growing demand. To this end, the Government will need to take a comprehensive approach, addressing and balancing the need to expand generation capacity together with financial and institutional restructuring of the Ceylon Electricity Board.

Services

Services recorded a higher growth rate in the second quarter, led by recovery in import trade.

Hotel and related services continued to shrink. Tourism has not yet recovered from the effects of tsunami. Earning from tourism recorded negative growth up to August, the latest figure available.

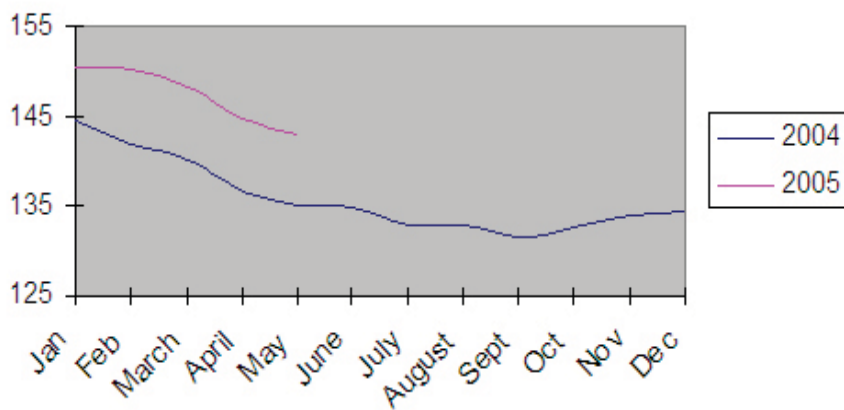
Prices

Higher domestic demand (stimulated by low interest rates, high civil service wage increases, tsunami-related inflows) and higher production costs (due mostly to oil prices) kept inflation high throughout the year. November saw a slight reversal of this trend. However, the tsunami-related price escalation, especially in the construction industry, is not significantly reflected in these figures due to the composition of the consumer price index basket. The construction sector will require careful monitoring and measures to enhance capacity to ensure smooth progress in the reconstruction process and avoid erosion of the funds pledged for this purpose.

External Trade

High oil prices continue to put pressure on the balance of payments, but foreign currency inflows (a 20% growth in remittances, central bank purchases of government foreign currency loans, and the debt moratorium) counterbalanced these pressures. Official reserves increased from \$1.9 billion in December 2004 to \$2.4 billion in September 2005. ■

PRIVATE SECTOR INDUSTRIAL PRODUCTION INDEX (Cumulative)



Source: Central Bank of Sri Lanka.

Gender Capacity Building Workshop Series Held

The Ministry of Women's Empowerment and Social Welfare (now the Ministry of Child Development and Women's Empowerment) conducted six workshops between April and November for the gender focal points of ministries to strengthen their capacity and support for mainstreaming gender issues in development activities. Funded by the Asian Development Bank (ADB) Gender and Development (GAD) Fund, these workshops covered a range of topics and examined how gender is addressed through different mechanisms.

At the first workshop, Savitri Goonesekera, former Chair of ADB's External Forum on Gender, facilitated the opening session on Gender Mainstreaming followed by Lal Premanath, Project Director, who outlined the gender mainstreaming activities in the Third Water Supply and Sanitation Project in Sri Lanka.

(continued on page 8)



IMPROVED GENDER CAPACITY (From left) A. N. R. Amaratunga, Secretary of the former Ministry of Women's Empowerment and Social Welfare, and Alessandro Pio, Country Director, Sri Lanka Resident Mission, ADB present certificates to workshop participants

Staff Changes at SLRM

Laurence Pochard joined the Sri Lanka Resident Mission (SLRM) on 19 September 2005 as Head, Project Administration Unit. Laurence has completed 13 years at ADB, and was previously assigned in Indonesia. She worked in ADB on rural development under the Agriculture Department, then moved to the Central Operations Services Office as Consulting Specialist for the social sector prior to moving to the Indonesia Resident Mission to work on urban development.



Ms. Pochard has degrees in agronomy, soil and water engineering, and public administration. Before joining ADB, she worked for the Food and Agriculture Organization in Rome.

Jagath Peththawadu joined SLRM on 18 October 2005 as Project Implementation Officer. Before ADB, he worked as a project specialist at the Japan Bank for International Cooperation, Colombo Office; business manager (projects) at Mitsubishi Corporation, Colombo Office; and project economist at the Southern Development Authority of Sri Lanka.



He holds a Bachelor's degree in International Business and Economics from Sophia University, Tokyo, and a Master's degree in Economics from the London School of Economics, United Kingdom.

Munawar Alam joined SLRM as Senior Project Specialist for transport and infrastructure. Before SLRM, Munawar worked with ADB's Transport and Communications Division, South Asia Department as Project Implementation Specialist. He had earlier worked at the Afghanistan Resident Mission and the India Resident Mission as a Senior Project Implementation Officer.



Mr. Alam has a Bachelor's degree in Civil Engineering from the Institute of Technology, Banaras Hindu University, India; and a postgraduate diploma and a Master's degree in Environmental and Sanitary Engineering from International Institute for Infrastructural, Hydraulic, and Environmental Engineering, the Netherlands. ■

Gender Capacity Building Workshop Series Held

(continued from page 7)

Nelun Gunasekera, ADB Gender Specialist, presented the Gender Action Plan of the Tsunami-Affected Areas Rebuilding Project. An analysis of the Women in Development and GAD approaches, gender budgeting, gender auditing, gender issues addressed by women's nongovernment organizations and United Nations (UN) agencies in Sri Lanka and Women in the Peace Process in Sri Lanka were the focus of other sessions. Three sessions were held on the Millennium Development Goals (MDGs).

Shireen Lateef, then Principal Social Development Specialist, ADB, discussed ADB's response to the MDGs. In other sessions, participants were briefed on the current situation of MDGs in Sri Lanka and gender and the MDGs.

Subsequent workshops included sessions on the recently passed Domestic Violence Bill, Convention on the Elimination of All Forms of Discrimination against Women, UN Resolution 1325, and the Beijing Platform for Action.

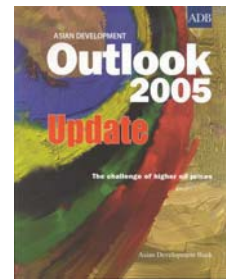
Highlights were the presentations on Human Rights and Women's Rights by Radhika Coomaraswamy, former UN Rapporteur on Violence Against Women; and on gender issues in the government sector by Swarna Sumanasekera, Chairperson of the National Committee on Women.

The final workshop in November included an evaluation of the workshops and identified follow-up activities for the gender focal points. Workshop participants received certificates attesting their participation in this capacity building activity. ■

ADB Publications

Asian Development Outlook 2005 (Update)

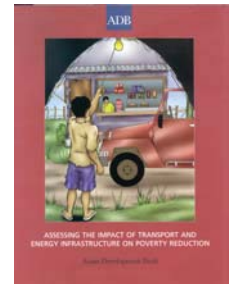
The Update features an overview of recent economic trends within Asia and Pacific region and sets them in their global context. It also points to risks in the outlook and suggests appropriate responses. Recent economic trends and the outlook are reappraised and updated for selected countries. A major theme is the challenge presented by high oil prices.



Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction

This book addresses the contribution of transport and energy infrastructure to poverty reduction. This publication is a collaboration between ADB, United Kingdom's Department for International Development, Japan Bank for International Cooperation, and World Bank. The country studies include People's Republic of China, India, and Thailand.

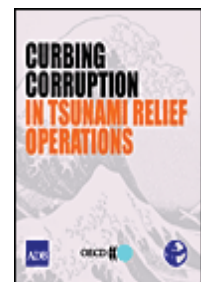
Hard copy price \$20



Curbing Corruption in Tsunami Relief Operations

This report is a compilation of issue papers and conclusions of the meeting on corruption prevention in tsunami relief operations of the six worst-hit countries—India, Indonesia, Malaysia, Maldives, Sri Lanka, and Thailand.

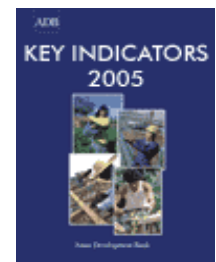
Hard copy price \$10



Key Indicators 2005

The Key Indicators (KI) 2005 is the 36th edition of the flagship annual statistical data book of ADB. This year's issue of KI contains a chapter on Labor Markets in Asia. The KI also presents updated estimates of \$1-a-day and \$2-a-day poverty and projections of poverty for 2015.

Hard copy price \$28



NEWS FROM

Sri Lanka

The bi-annual newsletter of the Asian Development Bank (ADB) Sri Lanka Resident Mission (SLRM) aims to enhance communications between ADB and its client groups. News from Sri Lanka disseminates information on ADB activities and provides a forum on development issues in Sri Lanka. Articles in the newsletter, however, do not necessarily reflect the official ADB view. We welcome readers' comments and suggestions.

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