

September 2007

Status Report on the Asian Tsunami Fund (January–June 2007)

ABBREVIATIONS

ADB	–	Asian Development Bank
ATF	–	Asian Tsunami Fund
BAPPENAS	–	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BML	–	Bank of Maldives
BPK	–	Badan Pemeriksa Keuangan
BRR	–	Badan Rehabilitasi dan Rekonstruksi (Rehabilitation and Reconstruction Agency)
CBO	–	community-based organization
DER	–	Department of External Relations
EA	–	executing agency
EMM	–	Extended Mission in the Maldives
EMS	–	Extended Mission in Sumatra
ETESP	–	Earthquake and Tsunami Emergency Support Project
IRM	–	Indonesia Resident Mission
MDF	–	Multi-Donor Trust Fund
MPF	–	Maldives Partnership Forum
OCR	–	ordinary capital resources
PMO	–	project management office
PMU	–	project management unit
SARD	–	South Asia Department
SERD	–	Southeast Asia Department
SRDP	–	subregional development plan
TA	–	technical assistance
TAARP	–	Tsunami-Affected Areas Rebuilding Project
TEAP	–	Tsunami Emergency Assistance (Sector) Project

NOTE

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

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I. INTRODUCTION

1. In accordance with provisions set forth in the Board Information Paper establishing the Asian Tsunami Fund (ATF) in February 2005 and with approved administration arrangements, progress reports on the activities financed by the ATF, as well as major issues and recommendations, have been made available semiannually to the contributors and the Board of Directors of the Asian Development Bank (ADB) for information. This report is the fifth semiannual report¹ and covers the period from January to June 2007.

II. AMOUNTS AND RECIPIENTS OF GRANTS

2. In response to the need to deliver prompt emergency funding to the tsunami-affected countries, an initial contribution of \$600 million was made by ADB to the ATF. Subsequently, the Government of Luxembourg contributed \$1.0 million to finance the expansion of irrigation activities in Nias Island while the Government of Australia contributed \$3.8 million to support activities related to the emergency rehabilitation of coastal structures in tsunami-affected areas in Sri Lanka. Cumulative resources under the ATF as of 30 June 2007 amounted to \$605.9 million.² As of the end of the first half of the year, total commitments from the ATF stood at \$573.0 million; of this amount, \$571.0 million was provided to India, Indonesia, Maldives, and Sri Lanka in the form of investment projects and a contribution to the Multi-Donor Trust Fund in Indonesia, while technical assistance (TA) grants amounting to \$2.0 million were provided for Thailand. The Board approved on 30 October 2006 an increase of \$1.0 million in the grant financing for the investment project in Indonesia, which was made possible by the earmarked contribution provided by the Government of Luxembourg to the ATF.³

3. Including commitments from the ATF, ADB has approved, as of 30 June 2007, a total of \$892.0 million in direct tsunami-related assistance from other sources. Of this amount, \$725.1 million, or 81%, was in the form of grants. These additional sources were the European Community and the governments of Canada, France, Japan, Netherlands, Norway, Sweden, and United Kingdom, which provided funds through cofinancing or contributions to special funds established in ADB.

III. ADB'S PERFORMANCE ON THE GROUND

4. As of 30 June 2007, cumulative payments of approximately \$171.6 million (including advances), representing 30% of total commitments, have been disbursed for investment projects in India, Indonesia, Maldives, and Sri Lanka and for three TA projects in Thailand (Table 1).

¹ Previous progress reports were circulated in October 2005, December 2005, August 2006, and March 2007.

² This amount excludes \$40 million, which was returned to ordinary capital resources (OCR) surplus in November 2005 for subsequent allocation to the Pakistan Earthquake Fund, and \$10 million from interest earnings under the ATF approved by the Board in June 2006 also to be returned to OCR surplus to be earmarked specifically for disaster management and reconstruction following the May 2006 earthquake in Yogyakarta and Central Java provinces of Indonesia. Interest and investment income are included in the cumulative resources figure.

³ ADB. 2006. *Increase in Grant Financing: Earthquake and Tsunami Emergency Support Project*. Manila (R228-06 dated 17 October 2006).

Table 1: Cumulative Disbursements as of 30 June 2007
(\$)

Project (Grant and TA No. and Country)	Committed	Cumulative Disbursements	Undisbursed
Tsunami Emergency Assistance Project (GR0001-MLD)	20,000,000	10,285,480	9,714,520
Earthquake and Tsunami Emergency Support Project (GR0002-INO)	291,000,000	93,890,324	197,109,676
Contribution to the Multi-Donor Trust Fund (GR0014-INO)	10,000,000	10,000,000	0
Tsunami Emergency Assistance (Sector) Project (GR0005-IND)	100,000,000	28,001,176	71,998,824
Tsunami-Affected Areas Rebuilding Project (GR0006-SRI)	150,000,000	27,640,985	122,359,015
Development Plan for the Tsunami-Affected Andaman Region (TA 4564-THA) ^a	150,000	121,049	28,951
Supporting Post-Tsunami Activities and Coastal Zone Management (TA 4595-THA) ^b	150,000	145,314	4,686
Subregional Development Plan for the Tsunami-Affected Andaman Region – Phase II (TA 4613-THA) ^c	1,700,000	1,491,730	208,270
Total	573,000,000	171,576,058	401,423,942

IND = India, INO = Indonesia, MLD = Maldives, SRI = Sri Lanka, TA = technical assistance, THA = Thailand.

^a TA activities were completed on 31 July 2005 and the TA was financially closed on 20 June 2007.

^b TA activities were completed on 31 October 2006 and the TA was financially closed on 19 June 2007.

^c TA activities were completed on 15 April 2007.

Source: Status of Resources – ATF as of 30 June 2007, Controller's Department. Asian Development Bank.

5. Against projected disbursements of \$194.8 million for 2007, actual realization as of 30 June 2007 was \$54.1 million or 28% of the projection (Table 2). On account of new developments and events that may take place during implementation, adjustments may, however, need to be made to these projections. Balancing the complexity of the post-impact

Table 2: 2007 Actual Disbursements as of 30 June 2007
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Project (Grant and TA No. and Country)	Projection	Actual
Tsunami Emergency Assistance Project (GR0001-MLD)	5,000,000	468,578
Earthquake and Tsunami Emergency Support Project (GR0002-INO)	119,000,000	39,094,011
Contribution to the Multi-Donor Trust Fund (GR0014-INO)	0	0
Tsunami Emergency Assistance (Sector) Project (GR0005-IND)	35,000,000	9,204,053
Tsunami-Affected Areas Rebuilding Project (GR0006-SRI)	35,420,000	5,024,446
Development Plan for the Tsunami-Affected Andaman Region (TA 4564-THA) ^a	0	0
Supporting Post-Tsunami Activities and Coastal Zone Management (TA 4595-THA) ^b	40,000	38,864
Subregional Development Plan for the Tsunami-Affected Andaman Region – Phase II (TA 4613-THA) ^c	340,000	240,090
Total	194,800,000	54,070,042

IND = India, INO = Indonesia, MLD = Maldives, SRI = Sri Lanka, TA = technical assistance, THA = Thailand.

^a TA activities were completed on 31 July 2005 and the TA was financially closed on 20 June 2007.

^b TA activities were completed on 31 October 2006 and the TA was financially closed on 19 June 2007.

^c TA activities were completed on 15 April 2007.

Source: Grant Financial Information System, Asian Development Bank

situations and the relatively limited absorptive capacity of the local economies against the fact that as reconstruction progresses its cumulative effect diminishes the constraints, it is expected that full disbursement can be achieved by the anticipated completion date of 2009.

6. The overall level of disbursements under the investment projects and TAs funded by the ATF has been, to date, lower than expected. In Indonesia, the low level of local capacity, and the need for systematic and systemic preparation of investment projects that comply with ADB's environmental and social safeguard requirements are some of the reasons for the low level of disbursements. Other factors that contribute to the low level of disbursements include political instability, security issues, prioritizing other sectors not funded by ADB and changing priorities of components financed by ADB, lack of suitable contractors, and scarcity of materials. In India, the low level of disbursements is attributed to a number of factors, among which are lack of experience and management skills of some local executing and implementing agencies to plan and implement such works within a tight time frame; the large number of small contracts, each requiring intense administration and monitoring; processing time required for obtaining statutory environmental clearances; and delay caused by land acquisition/resettlement and rehabilitation processes in compliance with social safeguard guidelines. In Maldives, the emergency projects were delayed from the start due to overlapping funding agency assistance, which required additional coordination time to decide on which subprojects would be financed by ADB. This was followed by a longer-than-expected design and tendering phase, which included the lengthy preparation of the required land use maps by the appropriate ministries. Throughout the whole process, delays in decision making by departments of the host government also affected the general project delays. In Sri Lanka, the present security situation that affects the progress of work and implementation of subprojects in Northern and Eastern provinces; the scarcity of materials, especially cement and steel; restriction of movement; and price escalation due to high demand and restriction of transport have hampered the progress of work. Difficulties in finding suitable contractors—with the post-tsunami construction boom, most contractors are overloaded with reconstruction work— as well as difficulties of finding good contractors for smaller projects in the tsunami-affected areas have resulted in delays in project implementation.

7. To ensure that the approved four investment projects and three TA projects are implemented efficiently and effectively, sector divisions and resident missions under ADB's South Asia (SARD) and Southeast Asia (SERD) departments undertake periodic review missions. Dedicated extended missions in Indonesia, India, and Maldives closely supervise project preparation, and assist the executing agencies (EAs) in implementing and monitoring projects. Loan disbursement missions have also been fielded by the Controller's Department to resolve general and project-specific financial and disbursement problems as they arise.

8. An update as of 30 June 2007 on ADB's support to the five tsunami-affected countries is given in the following paragraphs.

9. **India: Tsunami Emergency Assistance (Sector) Project (TEAP).**⁴ ADB support to tsunami-affected Kerala and Tamil Nadu states is for sustainable livelihood and basic community infrastructure. Significant preparatory work was required in establishing the basic institutional structures and undertaking extensive public consultation programs. Progress for the grant component has greatly improved and over 100 contract packages worth \$68 million have been awarded. By the end of 2007, total contract awards are expected to reach \$81 million while total disbursements are expected to be \$45 million. Disbursements were slow due to the

⁴ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the Tsunami Emergency Assistance (Sector) Project*. Manila (approved \$100 million loan; \$100 million grant).

delay in awarding some of the major water supply and sanitation contracts requiring statutory clearances. Lack of the requisite staff in the Kerala project management unit, project implementation units, and field office continues to be an issue. With most of the contracts now awarded, project activities and disbursement are expected to significantly accelerate.

10. **Indonesia: Earthquake and Tsunami Emergency Support Project (ETESP) and Contribution to the Multidonor Trust Fund (MDF).**⁵ In the 2 years that it has been under implementation, the ETESP has made significant progress. Subprojects requiring grant funding for a total of up to \$194 million have been prepared, with approximately 59% of that amount proceeding to the procurement and implementation stage. Approximately \$54 million has been contracted out for consulting services, and other activities that do not require detailed project preparation would require \$20 million. Therefore, \$268 million of ETESP funds (91% of the grant amount) have been programmed. Cumulative contract awards since grant effectiveness up to the end of June 2007 amounted to \$165 million, about \$53 million more than that at the end of 2006, while cumulative utilization has reached about \$94 million or \$39 million more since the end of 2006.

11. On-the-ground implementation of the ETESP started in earnest during 2006 and the first 6 months of 2007; five components are progressing well, implementation of six components is starting to pick up, while the remaining one component continues to trail behind. The major issues that affected implementation of the ETESP include (i) the need to prepare the project design; (ii) limited cooperation from implementing agencies; (iii) delay in budget approval; (iv) delay in appointing implementing units, particularly annual reappointment; (v) a complex budgeting process; and (vi) lack of familiarity with safeguard requirements and procurement procedures. ADB through its Extended Mission in Sumatra (EMS) has worked closely with the Rehabilitation and Reconstruction Agency (BRR), implementing agencies, and provincial agencies in a number of areas, providing technical assistance in project preparation, capacity building, advisory support, implementation supervision, and financial management. The EMS is coordinating with BRR to ensure that (i) the PMUs undertake the remaining procurement activities expeditiously, and have the resources needed for supervision and monitoring; (ii) budget revisions are processed and approved quickly; and (iii) work quality issues are being addressed.

12. Taking into account the implementation status of the different components and recognizing that more time may be necessary to complete the projects that have been prepared and designed under the ETESP, BRR has requested ADB to extend the project completion date from 30 June 2008 to 31 December 2008, and the grant closing date from 30 December 2008 to 30 June 2009.

13. ADB continues to support a flexible approach in sector allocation and implementation arrangements under the ETESP to effectively and expeditiously deliver assistance. Through this flexibility, the ETESP is also providing support to conflict-affected areas. Recognizing the importance of institutional capacity building for sustaining the recovery efforts, ADB is strengthening provincial institutions in several areas through their direct involvement in implementing the ETESP, supplemented by dedicated TA. Through its participatory approach,

⁵ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of Indonesia for the Earthquake and Tsunami Emergency Support Project and Contribution to the Multidonor Trust Fund*. Manila (approved: \$301 million grant [including Luxembourg's contribution of \$1 million to the ATF]; \$3.5 million cofinancing). A progress report on the rehabilitation and reconstruction of Aceh and Nias supported by this project was circulated in March 2007.

the ETESP is also assisting communities to recover and improve their livelihood on a sustainable basis.

14. An overriding concern of both the Government and ADB has been to ensure sound fiduciary governance in the utilization of external support. Recognizing this, the ETESP includes specific support for sound fiduciary oversight arrangements. This includes the establishment of internal control and audit systems in BRR and support to the Supreme Audit Institution (Badan Pemeriksa Keuangan, BPK) to establish a branch office in Banda Aceh. The ETESP has also supported the establishment of a branch of the Ministry of Finance Treasury Office in Aceh to assist BRR in effectively disbursing funds. The component also includes capacity building for the internal audit departments of local governments in Aceh, and support to establish an office for the anticorruption commission in Aceh.

15. To complement its support to the mitigation of the tsunami and earthquake disasters, ADB joined the MDF soon after it was formally established in May 2005, and participates regularly in its activities. ADB is a member of the MDF steering committee, which has met 12 times in Jakarta and Banda Aceh. Total pledge to the MDF is \$663 million, of which \$394 million has been paid in as of March 2007 including ADB's contribution of \$10 million. The current MDF portfolio comprises 17 projects valued at \$713 million, financed with \$482 million from MDF and \$231 million from BRR. The MDF has disbursed \$214 million to the respective project accounts in four sectors: recovery of communities (52%), infrastructure and transport (32%), capacity building and governance (11%), and sustainable management of the environment (5%).

16. **The Maldives: Tsunami Emergency Assistance Project (TEAP).**⁶ The TEAP consists of two components: (i) a quick disbursing component, which has been fully disbursed, and (ii) a project component consisting of five sectors, i.e. water supply, sanitation and solid waste management; transport; power; fisheries; and agriculture. The overall project is progressing satisfactorily. All civil works subprojects have been contracted out and are under way. The slowest and most problematic sector is agriculture although it is expected to proceed more expeditiously in 2007/2008 as the government and ADB have agreed to and approved the final work plan. Delays continue in the microcredit subcomponent of agriculture due to competing programs by the World Bank. However, the problems in this matter should be overcome and the disbursement of small loans (i.e., maximum \$625) is expected to proceed in the third quarter of 2007. All the agriculture beneficiaries for the microcredit program have been identified and the Bank of Maldives (BML) has been designated as implementation agency. If the disbursement on microcredit continues to be slow, ADB has informed the Government that by November 2007 the undisbursed funds may be unilaterally reallocated to the other sectors on an as-needed basis. Many contracts have been awarded in 2007 and therefore disbursement was relatively slow at the beginning of the year, but it is expected to pick up in late 2007/early 2008.

- (i) **TEAP sanitation component.** Despite some initial delays, progress is satisfactory. The contract for construction of a sewerage network and sewage treatment scheme in Thaa Guraidhoo was awarded on 3 May 2007, the contractor mobilized shortly after and, in accordance with the agreed-upon schedule of works, commissioning and handover of the scheme to the community will be completed in May 2008. The contract relating to the preparation of detailed engineering design, associated environmental impact

⁶ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Maldives for the Tsunami Emergency Assistance Project*. Manila (approved: \$1.8 million loan; \$20 million grant).

assessment, and bidding documents for the Kulhudhuffushi sewerage scheme was awarded in April 2007 and is now nearing completion; the draft final report is expected at end-August 2007.

- (ii) **TEAP transport component.** The transport component includes the dredging of the Dhidhdhoo harbor, and the rehabilitation of its quay walls and seawalls. The contractor has mobilized to the site, and has stockpiled essential materials. Actual construction works will start soon and are expected to be completed on schedule.
- (iii) **TEAP power component.** Progress is satisfactory. The first batch contract covering four islands, valued at about \$2.44 million, was awarded on 23 August 2006, with an effective date of 7 November 2006. The second batch contract for two islands amounting to about \$1.1 million was signed on 3 December 2006, with an effective date of 5 February 2007. The duration of each contract is 18 months from the effective date. The contractor has been mobilized and construction work is in progress and on schedule at all power stations. The consultant reported that the first batch subprojects are nearly 50% completed, while the two second batch projects are 30% and 22% completed, respectively.
- (iv) **TEAP fisheries component.** Implementation on the 16 tsunami-affected fisheries islands is very satisfactory, with most of the planned activities already implemented and project targets met. Achievements toward the component targets include (a) 94% on strengthening community-based organizations, (b) 100% on social mobilization trips, (c) 99% on strengthening fisheries extension, (d) 85% on training, (e) 95% on in-kind assistance to beneficiaries, and (f) fully disbursing the microcredit funds to BML for lending to tsunami-affected fisheries beneficiaries. Still required is to follow up with BML on the lending and monitoring of utilized funds. Out of the \$2.6 million allocated to the fisheries component, \$2,579,367 worth of contracts has been awarded, with only \$20,633 remaining uncommitted.
- (v) **TEAP agriculture component.** Progress is partly satisfactory. The component has achieved (a) 100% on community consultation and social mobilization trips; (b) 75% on community-based organizations (CBO) strengthening; (c) 50% on strengthening agriculture extension, and capacity building for government officers and farmers; and (d) 10% on microcredit lending to tsunami-affected farmers. To improve implementation, the implementing agency has prepared and implemented a work proposal for the remaining project period (August 2007–June 2008), which clarifies project activities that were roughly defined in the original documents, and prioritizes three key initiatives: (a) reestablishment and development of Mendhoo agricultural research, extension, training and information station; and strengthening institutional support at Hanimadhoo agricultural center as centers of excellence for atoll agriculture; (b) capacity building by developing and implementing a training program for farmers and extension staff, including formal agriculture curriculum courses; and (c) support to farmer cooperatives on 5–8 pilot islands for developing farming systems, improving produce quality and reducing postharvest losses, collective bargaining, and marketing of produce.

17. **Sri Lanka: Tsunami-Affected Areas Rebuilding Project (TAARP).**⁷ TAARP has eight components addressing various aspects of reconstruction and rebuilding work to meet the objectives of the Project. The European Commission has provided €39.4 million (equivalent to \$53.2 million) for the road component, and the Government of the Netherlands has provided the equivalent of \$8.73 million for the homeowner-driven housing program. A minor change in scope for the road component was made to include alternative roads that could be implemented in the North and East due to the conflict situation. As of June 2007, cumulative contract awards and disbursements amounted to \$33.5 million and \$27.6 million, respectively. One large contract in the amount of \$40 million for the road component under European Union financing has been awarded. There is substantial progress under Dutch financing for the homeowner-driven housing program. There are delays due to the conflict situation in the North and East, lack of skilled staff with the contractors, lack of contracting capacity, escalation of prices due to the big volume of tsunami work, and the Government's own capacity to meet the heavy construction load.

18. **Thailand.**⁸ All three technical assistance projects in Thailand have already been completed .

(i) **Development Plan for the Tsunami-Affected Andaman Region (TA 4564).** This technical assistance for preparing a preliminary subregional development plan (SRDP) for the three provinces most affected by the tsunami (Krabi, Phang Nga, and Phuket) was successfully completed in July 2005 (Phase I).

(ii) **Supporting Post-Tsunami Activities and Coastal Zone Management (TA 4595).** This TA was completed in October 2006 upon completion of the TA final report. The TA produced a draft of the Promotion of Marine and Coastal Resources Management Act. The Act would implement constitutional guarantees of rights to information and participation in resource management, provide a framework within which the multiple government authorities operating in the coastal zone and marine areas can coordinate and harmonize their functions, and provide for resolving conflicts of jurisdiction among government authorities and for settling disputes among stakeholders.

The TA provided support to Thailand in improving the legal and regulatory framework for coastal zone management and ensuring adequate field-level coordination of government and nongovernment agencies involved in post-tsunami rehabilitation activities. The report was widely reviewed by the EA, other external funding agencies, universities, and civil society organizations in Thailand.

(iii) **Subregional Development Plan (SRDP) for the Tsunami-Affected Andaman Region (Phase II).** Activities for the Andaman Subregional Plan TA for Thailand

⁷ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Tsunami-Affected Areas Rebuilding Project*. Manila (approved: \$7 million loan [reallocation]; \$150 million grant; \$109.935 million cofinancing).

⁸ Approved: \$2.0 million in technical assistance grants: (i) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for Preparing a Development Plan for the Tsunami Andaman Region*. Manila (approved \$150,000); (ii) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for Supporting Post-Tsunami Activities and Coastal Zone Management*. Manila (approved \$150,000); and (iii) ADB. 2005. *Technical Assistance to the Kingdom of Thailand for the Subregional Development Plan for the Tsunami-Affected Andaman Region*. Manila (approved \$1,700,000).

(Phase II) were basically completed in October 2006. At the request of the Government, however, SRDP dissemination workshops in the three participating provinces and at the national level were conducted during November 2006 to March 2007. The TA was completed on 15 April 2007 and will be closed when the final claim from the consultant is received.

The Plan has been acknowledged by the Thai Government Cabinet in 2006. The National Economic and Social Development Board (NESDB) is expected to be in charge of implementing and supervising the Plan in coordination with the local authorities of the three provinces included in the Plan (Phuket, Krabi, and Phang Nha).

IV. ADB'S CAPACITY TO SUPERVISE, CONTROL, OR MONITOR THE USE OF RESOURCES

19. As noted in the progress report on Aceh and Nias Reconstruction and Rehabilitation (footnote 5), ADB has been effective in supporting the EA (BRR) in monitoring the single largest disaster management activity in the world. ADB undertook these tasks with a combination of Management and staff support complemented by teams of consultants. The flexible application of ADB's policies and procedures as provided in the disaster policy has greatly helped in these tasks, which are appreciated by the government agencies. The presence of the EMS enables ADB to closely supervise and monitor ETESP implementation and address issues expeditiously when they emerge. Following a request from BRR to extend the operations of the EMS from end-February 2008 to 31 December 2008, a proposal to extend the EMS will be submitted to the Management.

20. The ADB India Resident Mission (IRM) is supported by two extended missions in the states of Tamil Nadu and Kerala (EMTK) with full-time staff consultants for assisting and guiding the EA and implementing agencies. The extended missions also supervise and monitor the use of funds plus contract adherence to ADB's guidelines and safeguard policies.

21. ADB established the Extended Mission to the Maldives (EMM) office in Male' to assist in the overall program. The EMM has been successful in assisting during the pre-design phase, design and tendering phases, and now in the implementation phase. The EMM has assisted the government in its communication with ADB and in overseeing the input/output of both international and national consultants. The EMM has worked closely with the development assistance community to resolve issues and is a member of the United Nations country team (UNCT) that was formed to address and resolve common or competing interests. The EMM has also assisted the government in preparing for the Maldives Partnership Forum (MPF) that was held in June 2006 and June 2007 to raise awareness of the country's needs assistance and the status of the tsunami recovery program. ADB senior management has attended both MPFs. The EMM has also assisted during the 2006 audit of the tsunami recovery fund (TRRF) and will provide assistance for the 2007 audit.

22. Due to the conflict situation in the northeast in Sri Lanka, activities have slowed down in the past 18 months; therefore the need for supervision and monitoring, and the use of resources have not been a major concern. However, with the reopening of the East to development work, the Sri Lanka Resident Mission (SLRM) will be facing constraints in supervising the use of resources for lack of vehicles equipped with UN standard approved radios. Approval for the procurement of such equipment is being delayed by the Ministry of Defense.

23. The TAARP in Sri Lanka requires a performance audit of all components to determine the degree to which project funds have been effectively and efficiently utilized to implement the Project, and achieved its objectives, outputs, and performance indicators. A consultancy firm has been selected to carry out the performance audit, and the work is scheduled to begin in September 2007. The consultants will (i) support the PMUs on all aspects of auditing the performance of components; (ii) provide technical advice and support for coordinating internal audit of the respective components; (iii) assist on matters of providing information for monitoring and evaluation and performance audit; (iv) ensure that all data required for auditing the components are collected, processed, and available for performance audit; (v) prepare evaluation reports and recommendations based on the performance audit to be submitted by the PMU to the EA, ADB, and other cofinanciers; (vi) advise all relevant stakeholders on the implications arising from the performance audit and actions that need to be taken; and (vii) monitor and report on the implementation of audit recommendations.

V. OTHER MAJOR ISSUES AND ACTIVITIES

24. In India, the PMU in Kerala has developed a robust Oracle-based project performance monitoring system and is in the process of operationalizing it. In Tamil Nadu, a biometric identification and financial monitoring system for beneficiaries is being established by an implementing agency, which will be replicated by other implementing agencies.

25. The major problem facing the Government of the Maldives is its weak institutions and shortage of qualified staff. Additionally, the heavy burden of thousands of civil works projects that arose as a result of the tsunami has placed an enormous strain on the country's local contractors and local consultants that had been working on other minor projects. The tsunami projects have raised significantly the cost of general construction (labor and materials) to the point where it has affected the cost of construction work in all sectors and has directly affected the cost of rebuilding and building new resorts that are a mainstay of the economy.

26. Proactive media outreach and external relations activities in Aceh and Nias have been and/or will be undertaken by ADB as follows.

- (i) The EMS, in coordination with ADB's Department of External Relations (DER), updated and improved the ETESP website.
- (ii) EMS-PMO advisors prepared an article on ETESP's livelihood programs, titled "Developing the Rural Economy in Aceh" and published in the *Jakarta Post* on 24 April 2007.
- (iii) The EMS met the editors of *Serambi Indonesia*, Aceh's daily with the highest circulation, to introduce the ETESP and request cooperation on news items relating to the ETESP.
- (iv) The EMS organized a display at an environmental fair in Banda Aceh in July 2007 where the ETESP display received the first prize. The EMS also organized an ETESP display at a BRR-BAPPENAS workshop held in Jakarta in early August 2007.
- (v) In preparation for the third anniversary of the tsunami, the IRM and EMS are planning a 2-day press tour for Jakarta-based journalists in October and November.
- (vi) The EMS is planning an ETESP event before the end of 2007. It will involve the engagement of journalists and videographers to prepare objective stories about the impact of the ETESP.

- (vii) DER, in coordination with the EMS, issued the following news releases during the first half of the year: (a) ADB Strengthening Traditional Water User Groups in Aceh (13 February 2007), (b) ADB and UN-Habitat Working to Re-Build Nias Homes (20 February 2007), and (c) ADB and Muslim Aid Working Together to Rebuild Houses in Aceh (24 May 2007).

27. DER also issued the following news releases for India and Thailand: (i) Tsunami Reconstruction Progressing in India, Joint Report Says (10 January 2007), and (ii) Plan Unveiled to Secure Future of Thailand's Tsunami-Hit Andaman Region (2 April 2007).

VI. CONCLUSION

28. Two and a half years after the tsunami of 26 December 2004, major achievements on the long road to recovery have been realized despite the seemingly slow implementation of rehabilitation and reconstruction projects in India, Indonesia, Maldives, Sri Lanka, and Thailand. Much of the progress being made has been achieved in the face of serious challenges, such as the need for statutory clearances in awarding major contracts, lack of requisite staff in field offices, delays in and the complexity of the budget process, lack of familiarity with ADB's safeguard requirements and procurement procedures, ongoing conflict, escalation of prices due to an overload of tsunami work, and the governments' own capacity to undertake construction work.