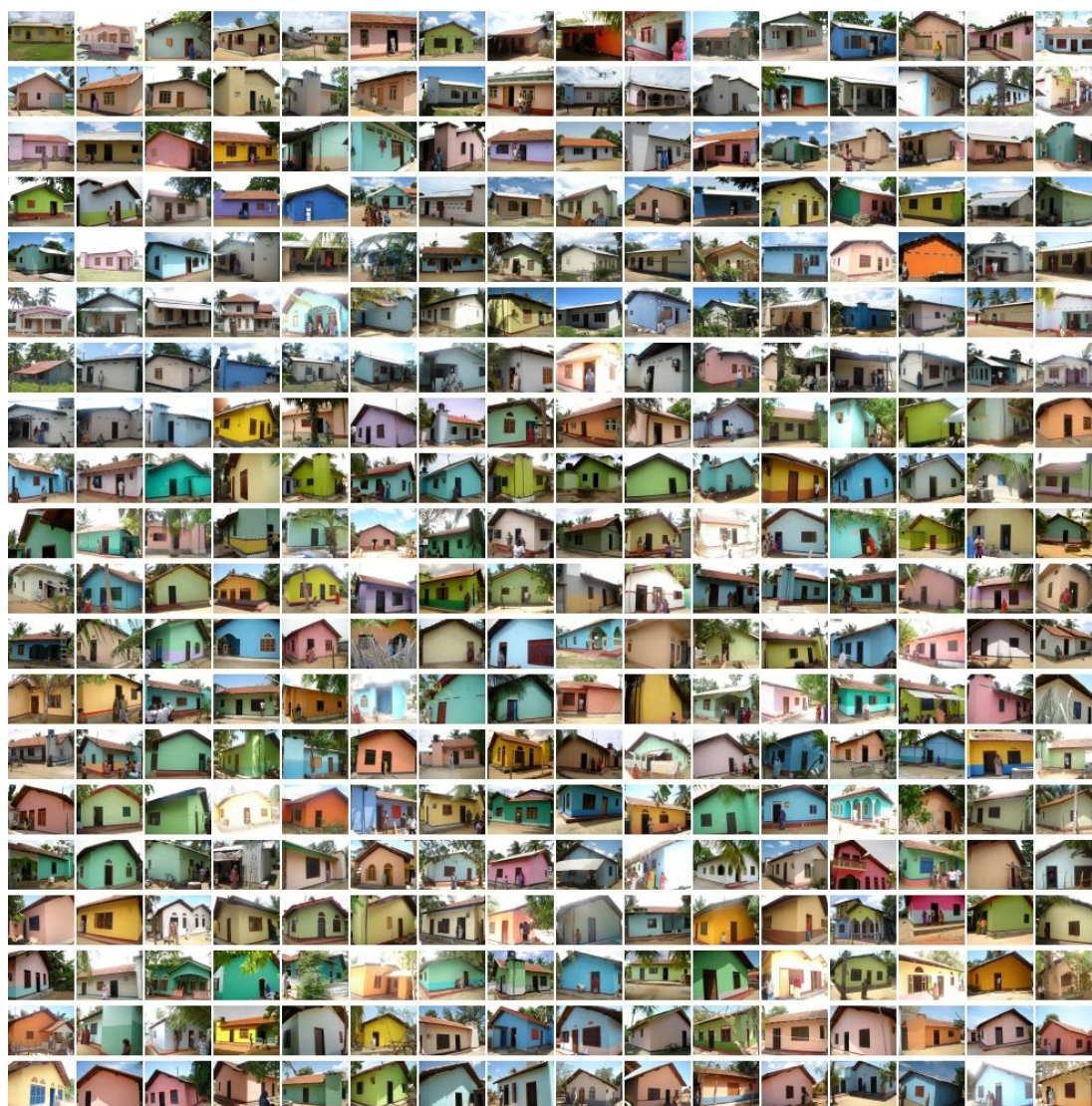




Consortium of Swiss Organisations
Funded by the people of Switzerland

Cash for Repair and Reconstruction (CfRR) Project 2005-2007, Sri Lanka

Participation of the Consortium of Swiss Organisations in the home
owner-driven private housing reconstruction program of the
Government of Sri Lanka following the Tsunami of Dec. 26 / 2004



Consolidated Final Report
October 2008



HEKS

Schweizerisches Rotes Kreuz 



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Editorial

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1. Executive summary

Situation

The Tsunami of December 26th 2004 inflicted catastrophic damage to a large part of the coastal belt of Sri Lanka.

The Government of Sri Lanka's (GoSL) Task Force for Rebuilding the Nation (TAFREN) – later renamed RADA -with the support of the World Bank launched a nationwide house-owner driven housing rehabilitation scheme and called for donor support. The programme included all 12 Tsunami-affected districts.

Initially the World Bank (WB), the Asian Development Bank (ADB), the German "Kreditanstalt für Wiederaufbau" (KfW) and the Consortium of Swiss Organisations (Swiss Consortium or SC) -consisting of Swiss Solidarity (SwS), Swiss Red Cross (SRC), Swiss Inter Church Aid (HEKS) and the Swiss Agency for Development and Cooperation (SDC) under one roof - responded to the GoSL appeal later followed by the Netherlands and IFRC.

The Swiss Consortium took on responsibility for the funding and implementation of the programme in two districts: Matara in the South and Trincomalee in the North-east known as the Cash for Repair & Reconstruction project (CfRR project).

Aim

The aim of the CfRR project was to empower house owners to rehabilitate or reconstruct their fully or partly damaged houses according to their own ideas, possibilities and needs and to contribute to social and economical recovery.

Results

The total financial commitment of the Swiss Consortium for the two districts and the 2 phases is about CHF 19 Mio. More than 10,000 Tsunami-affected house owners have rehabilitated their houses.

In Matara district 1'391 fully damaged and 4'860 partly houses were completed when the programme ended on 31 March 2007.

In Trincomalee district, 1'950 fully damaged and 2'428 partly damaged houses were completed by the end of the program in September 2007 and the final instalments released.

An external evaluation in November 2006 on the Swiss involvement in the programme draws a highly positive picture of the project in terms of appropriateness, efficiency and impact. At several stages of the project process, assessments of the financial flow have been conducted by reputable external auditors between 2005 and 2008. Audit reports attested an accurate and transparent financial flow from Switzerland to the final beneficiaries.

Project design

1st phase: The design of the CfRR is based on multiple cash grants to the house owners whose houses were destroyed or damaged by the Tsunami and were located outside the so called buffer zone, a perimeter of originally 100-200m width along the coast line. Owners of a fully damaged house received in total USD 2'500 in 4 installments, each installment being bound to the actual construction progress. This amount is calculated for a reference living space of 46m² according to the construction prices at the time. Owners of partially damaged houses received USD 1'000 in two instalments. This amount was used for renovation works, as well as for covering losses of furniture and personal belongings.

2nd phase: By the end of 2005 the buffer zone was relaxed by the GoSL which resulted in an extension of the program to additional beneficiaries and also imposed close monitoring of additional co-financing (top-up).

Consortium of Swiss organizations

The rationale for the Swiss Consortium to enter into the GoSL housing scheme was based on the following four objectives:

1. to empower beneficiaries with cash grants in order to leave the rebuilding of houses in the hands of the beneficiaries, according to their own needs and perspectives;
2. to align Swiss interventions with Government policies;
3. to launch an ethnically balanced approach in 2 districts: Matara in the South (Sinhalese) and Trincomalee in the North-east (Tamils, Muslims, Sinhalese), the latter being heavily affected by the ongoing civil war;
4. to build on SDC's experiences in cash transfer programs from elsewhere in the world.

Supporting measures

Technical assistance and expertise on technical issues was provided by the experts from Switzerland on a regular basis in order to assure quality standards in the construction as well as on the payment process.

In particular, the Swiss Consortium introduced a database in order to manage and control the construction verification and payment process. About 50'000 financial transactions have been managed in Matara and Trincomalee.

Topping-up mechanism

From the beginning of the programme it was clear that due to price increases the amount of USD 2'500 would not be sufficient in all operational areas to reconstruct a fully damaged house. Therefore, during the course of the programme, an additional financial contribution (top-up) was formally introduced. In general doubling the compensation for a fully damaged house to USD 5'000. The top-up was co-financed by other Red Cross Societies – in particular be the American Red Cross and the Hong Kong Red Cross - and NGOs, thereby assuring the completion of the houses. In addition, house owners were free to extend the construction works according to their own resources and means.

Infrastructure

In both districts the Swiss expert team consisted of one expatriate project manager and a local team including an IT data management specialist, an administrative assistant and a number of field officers. In Trincomalee, an additional technical advisor (Swiss expert) was based during phase I of the project. A Swiss project coordinator was based in Colombo and liaised with involved partners including GoSL, WB, ADB and the IFRC. In Switzerland, an operational Project Board and a Steering Committee among the Swiss Consortium partners were set-up.

Security measures

The active war situation in Sri Lanka, particularly in Trincomalee District, imposed very strict security measures. Several times the programme had to be suspended due to insecurity.

Financial transparency

The money-flow from the Swiss Consortium was arranged in a refunding mechanism. The banks had agreed to pay up-front to beneficiaries according to the payment lists. Verified payments were then reimbursed to the banks through transfers from Switzerland. The money flow from donor to beneficiary was audited by international external auditing experts of PWC and KPMG.

Monitoring & evaluation

The monitoring of construction progress was at the core of the management process. Several teams of technical officers (TO) carried out regular site visits to monitor the progress and to verify eligibility for successive installments. Photographic records were included in each beneficiary file.

The programme was evaluated externally by a group of international experts in late November 2006. A second final evaluation took place in September 2008. The findings of this evaluation are still awaited for publication.

2. Introduction

The 2004 Tsunami had catastrophic consequences in Sri Lanka. It claimed 35,322 human lives, injured 21,441 and orphaned 1,500 children. Over 500,000 persons were displaced and many more indirectly affected. About 100,000 houses were destroyed or damaged and 150,000 people lost their livelihood. Two thirds of the country's coastline was affected.

The Tsunami affected 13 of Sri Lanka's 25 districts. The conflict-affected North and East were especially hard hit, experiencing two thirds of the deaths and almost 60% of the displaced population. In socio-economic terms, although the Tsunami affected less than 3% of the total population, these were largely the poor and vulnerable.

The initial assessment made by the GoSL concerning the needs to rebuild houses and infrastructure and to re-establish livelihood called for nearly USD 2,2 billions over a 3-5 years period. This was presented before the Donor Forum in 2005.

The cost of Tsunami damage has been estimated at about 4,5% of Sri Lanka GDP.

2.1. *Tsunami aid delivery*

The massive global influx of support, the speed of delivery and the types of agencies involved created some unique challenges in post-tsunami recovery. This was due to the creation of a complex series of relationships which tended to impact the coordination capacity of GoSL ministries and agencies. By its nature the tsunami struck a narrow coastal belt. Relief and reconstruction therefore focused on this relatively limited area creating a concentration of input which made overall planning difficult.

Planning and coordination was initially attributed to dedicated national agencies such as Task Force for Rebuilding the Nation (TAFREN), Task Force for Relief (TAFOR) and the Transitional Accommodation Project (TAP). In November 2005 almost one year after the Tsunami, the newly elected President Mahinda Rajapakse merged these agencies into a single government agency, the Reconstruction And Development Agency (RADA), placed under the Presidential Secretariat.

2.2. *Private housing needs*

Permanent housing, including repair and reconstruction works of private houses, was one of the most complex issue of the national post-tsunami recovery programme. The revision of the buffer zone strategy in late 2005 and new guidelines published in April 2006 concerning the modus operandi of the housing program contributed to an increase in the housing requirements from an initial 98,525 houses to 114,069 nationally.

3. National Owner-Driven Reconstruction program

Based on blueprint project provided by the World Bank the GoSL devised a reconstruction policy based on conditional cash grants to qualified house-owners who use the money to rebuilt or repair their house by themselves (or supervised the work that they themselves outsource). This policy was complementary to the donor-driven approach whereby donors go through private contractors to build "turnkey houses".

In view of the success of the owner-driven policy, the Government gradually invited donors to drop their early house building plans and to adopt the owner-driven methodology. This was, for example the case with IFRC.

3.1. *Initial housing reconstruction policy of GoSL*

The national private houses reconstruction program was initially based on the definition of a so called "buffer zone" defined as a strip of land within a certain distance from the shore line. This buffer zone was established as a disaster prevention measure, to limit risks and

damage in case of future tsunamis. (annexes: GoSL-050323 first official reconstruction guidelines)

"Definition of Buffer Zone "

Zone 1 : 100m landwards from the mean high water line (Kilinochchi, Mannar, Puttlam, Gampaha, Colombo, Kalutara, Galle, Matara, Hambantota)

Zone 2: 200m landwards from the mean high water line (Coastal belt within the Jaffna, Mullaitivu, Trincomalee, Batticaloa and Ampara District)

According to the policy, Tsunami victims whose house was or had been situated within this buffer zone were not allowed to repair or rebuild in-situ but had to relocate to other areas, inland. In this case they would benefit from a donor-build "turn-key" house.

Houses that were situated outside the buffer zone could be rebuilt or repaired in situ. The owners would then be included in an owner-driven program.

Assistance policy of households situated outside the Buffer Zone

All affected households outside the buffer zone "that are able to demonstrate ownership to land" will be entitled to a Grant by the State

Extent of damage:

"Fully Damaged": repair cost is more than 40% of replacement cost of house

Assistance Policy: Grant of Rs 250,000/- disbursed in 4 stages

"Partially Damaged", repair cost is less than 40% of replacement cost of house Assistance

Policy: Grant of Rs 100,000/- disbursed in 2 stages

With these grants the owners had the responsibility to undertake (or oversee) the reconstruction or repair of their house by themselves, with the technical support of a specialized national agency (NHDA).

This owner-driven reconstruction approach benefited from financing from four main Donors : the World Bank, Asia Development Bank, KfW, and the Swiss Consortium.

3.2. Revised housing reconstruction policy

At the end of the year 2005 it became apparent that the buffer zone policy could not be implemented for different practical reasons, amongst which one can mention: the will of the people to remain in their traditional area and the lack of suitable land available for re-location.

So the new policy did away with the buffer zone restriction. Also, the new policy adopted a decentralized monitoring and coordination structure whereby the Districts Authorities were responsible for allocating resources, with the overall support of a newly created agency, RADA that was replacing TAFREN.

The new policy also endeavored to formally take into account the coordination of "top-up" grants provided by other donors to complement the Government grant allocated to owner-driven reconstruction beneficiaries. (Annexes: GoSL-Revised Tsunami Housing Policy April 06)

These changes of policy took some time to become officially published and for many months, between December 2005 and April 2006, stakeholders were left into a relatively hazy situation where rumors were numerous but official decisions were lacking.

In April 2006 the new guidelines were published with revised objectives and design guidelines, including, among the more important :

- A house for a house, regardless of ownership;
- All affected shelters to be considered, regardless of location;
- Generalize owner-driven approach, with regulated top-up wherever possible
- Flexibility in choice of location

Under this new policy, District Secretaries "... were authorized to assume overall responsibility for all tsunami projects in [their] Districts..." and District Secretaries were further instructed "... to consult RADA, when required, to obtain assistance in donor coordination, technical advice and supervision, organizational support, ... , clarification of policy guidelines [related to] the national strategy for housing, etc."

3.3. Implications of policy revisions to the Swiss Consortium

When this new policy became official the Swiss Consortium endeavored for many months to follow RADA directions in liaison with District Secretaries in Matara and in Trincomalee. However the difficulties encountered led the Swiss Consortium to renegotiate a MoU giving it freedom to implement its program with the sole approval of the District administration.

The problems faced by the Swiss Consortium in relations with RADA concerned all stakeholders. Eventually, at the beginning of 2007, RADA was stripped of any operational role by the Presidential Secretariat.

4. Participation of the Swiss Consortium in the national Owner-Driven Reconstruction program

4.1. Project and Swiss Consortium background

Less than 3 months after the Tsunami relief programs in the sectors of shelter, food health, livelihoods were slowly moving from providing urgent relief to the implementation of permanent solutions. The GoSL had shifted its priorities to livelihood reconstruction and housing programs in order to have the affected people going back to normal life as soon as possible.

The repair and reconstruction of houses outside the coastal buffer zone was defined as top priority by the GoSL. TAFREN (Task Force for Rebuilding the Nation), supported by the WB, designed a nationwide (12 affected districts) owner-driven housing scheme to implement this objective, i.e. Cash for Repair and Reconstruction (CfRR). The program was funded by the WB, KfW, ADB, and the Consortium of Swiss organizations.

This scheme closely resembled cash for reconstruction projects implemented or funded by SDC in other countries (See website <http://www.sdc-cashprojects.ch>). Therefore, SDC in March 2005 decided to support the CfRR project design, both financially and with technical assistance in two districts : Matara and Trincomalee.

A MoU was signed between the GoSL and the Government of Switzerland on April 06th 2005. (Annexes: SDC-050401 text of official MoU9543)

In order to optimize the use of available financial resources, to share proven methodologies and to increase the positive impact of Switzerland in the reconstruction efforts, SwS, SRC and HEKS joined SDC in this project, forming a "Consortium of Swiss Organizations".

The rationale for the involvement of the Swiss Consortium in the CfRR project was four-fold:

- to empower the beneficiaries with cash grants to enable them to rebuild their houses according to their own needs and perspectives,
- to align Swiss interventions with national government policies,
- to build on SDC experiences in cash transfer programmes from elsewhere,
- to balance the engagement in 2 districts, one in the South (mainly Sinhalese communities) and one District in the North-East (mixed communities of Tamil, Sinhalese and Muslim).

4.2. Institutional set-up of the Swiss Consortium

A cooperation agreement was signed by all parties. It regulated the cooperation between SDC/HA, HEKS, SRC and SwS concerning the support of Switzerland to the CfRR.

This agreement regulated the specific duties and rights of each contracting partner concerning the implementation of the CfRR project as outlined in the project document.

The duties of individual Partners were pragmatically based on a few simple principles :

- The contracting partners from the Consortium of Swiss organizations are responsible for the Swiss CfRR support project. SDC, SRC and HEKS are the operational partners of the CfRR project and are therefore responsible for its implementation.
- SwS makes its contributions to the CfRR project through the channel of SRC and HEKS but does not participate in the operational implementation of the CfRR project.

The main responsibilities of each partner were:

Concerning SDC :

- Provide its part of beneficiary contributions directly to the Government of Sri Lanka according to the budget.
- Implement the Swiss CfRR Support Project at policy level in Colombo.
- Coordinate the activities of the implementing partners in Sri Lanka.
- Provide services on behalf of SRC and HEKS when needed.

Concerning SwS :

- Provide financial contributions to HEKS and SRC according to the budget in the respective project proposal between HEKS and SwS.
- Control the money flow by means of external audits.

Concerning SRC :

- Provide its part of the beneficiary contributions directly to the Government of Sri Lanka according to budget and payment procedures.
- Implement the Swiss CfRR Support Project in the region of Trincomalee.

Concerning HEKS :

- Provide its part of the beneficiary contributions directly to the Government of Sri Lanka according to budget and payment procedures.
- Implement the Swiss CfRR Support Project in the region of Matara.

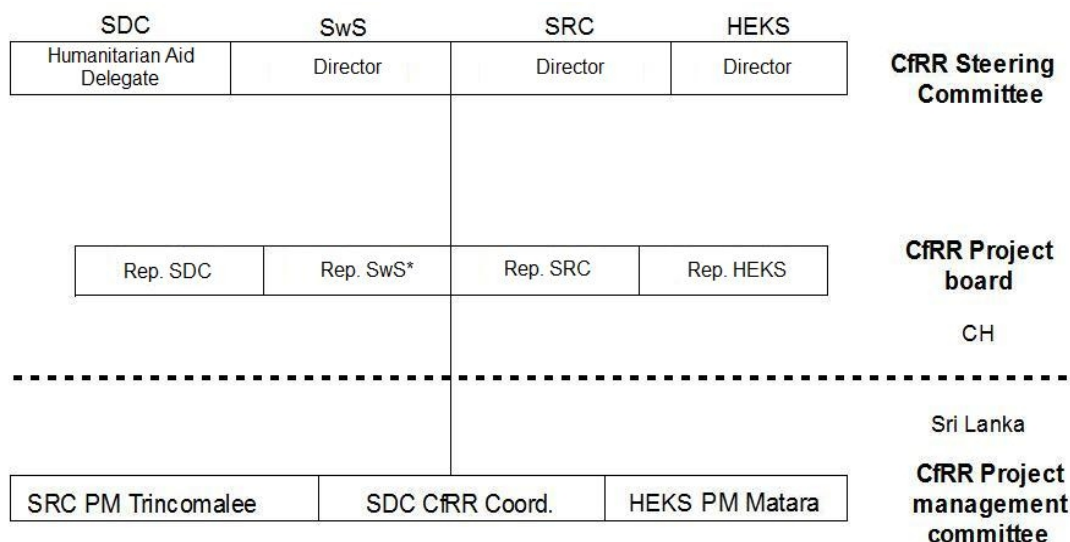
4.3. Management of the Swiss Consortium

A joint operational responsibility and quality control (construction technical, database management, financial transactions, progress monitoring) was maintained between the SDC Swiss CfRR support Coordinator and the Swiss CfRR support project managers in Matara (HEKS) and Trincomalee (SRC). SDC would provide technical support to HEKS and SRC as far as possible and requested.

Three management levels were defined:

- A) The CfRR steering committee (strategic level in Switzerland)
- B) The Project Board (operational level in Switzerland)
- C) The Project Management Committee (operational level in Sri Lanka)

The figure below shows the Swiss Consortium management structure:



* Observer-status

A) Steering Committee

Policies concerning the Swiss engagement, changes of the CfRR project document as well as audit and evaluation mandates were decided on by the CfRR Steering Committee. Its composition and tasks are defined according to Art. 5 lit a) and b) of the cooperation agreement, the so-called "Zusammenarbeitsvereinbarung".

B) Project Board

The Project Board consisted of 1 representative from SDC, SRC and HEKS respectively at operational level at HQ. The appointment of the representative was the responsibility of each implementing partner. Consensus applied as decision making principle. A representative of the SwS took regularly part in the Project Board meetings as an observer.

Main functions of the project board were:

- Management decision making on issues where no consensus was possible in Project Management Committee.
- Elaborate proposals to steering committee on changes in project policy/strategy, changes of relevant project activities, budget adaptations.

The communication between the project management committee and the project board was provided via SDC. The following issues absolutely needed to go through this channel:

- bi-weekly reporting
- answers to bi-weekly report
- requests from the project management committee to the project board (and if necessary to the steering committee)
- answers from the project board (and from the steering committee) to the project management committee

C) Project Management Committee

The Project Management Committee consisted of the SRC Project Manager in Trincomalee, the HEKS Project Manager in Matara and the SDC CfRR coordinator at the Coof in Colombo.

Consensus applied as decision making principle. When clarifications were necessary, the decision was delegated to the Project Board.

Main functions of the project management committee were:

- Prepare propositions on changes in the project design to the project board.
- Provide scenarios concerning the position of the Consortium of Swiss organizations such as visibility issues, finalisation of houses by NGO (top-ups), relaxation of the buffer zone and other arising issues.
- Decide on requests made by any the project managers and the project coordinator that needed approval by the Project Management Committee.
- Hold regular meetings in Colombo prepared by the SDC project Coordinator

D) Project Managers / Project Coordinator

The project managers of SRC (Trincomalee) and of HEKS (Matara) had the following responsibilities, competences and duties :

- Operational and financial implementation of the project in this assigned district.
- Coordination with beneficiaries local governmental authorities, banks and other stakeholders
- Supervision of database issues and audit support
- Leading teams of local employees
- Represent the Swiss CfRR support project within his assigned district
- Providing regular input to bi-weekly report for compilation by CfRR coordinator Colombo

The project coordinator of SDC (Colombo) had the following responsibilities, competences and duties:

- Representing the Swiss Consortium of Swiss organizations at national level concerning CfRR project.
- Participate in meetings concerning CfRR at national level (donor Group, GoSL, NGO, other stakeholder). Provide Inputs and offer expertise and support to the GoSL and other involved donors.
- Compile and report on the cash flow of the Swiss funds to the CfRR.
- Coordinate and exchange inputs with Swiss Red Cross representative in Colombo.
- Call, prepare and chair the PMC monthly meeting in Colombo.
- Submit a consolidated bi-weekly narrative and financial reports on the progress of the Swiss CfRR support project to the project board.

4.4. *The CfRR project of the Swiss Consortium*

The initial project was extended in terms of calendar and also in terms of budget to adapt the realities of needs and working conditions. The overall project goals and methodology remained unchanged throughout the program. (Annexes : Consortium-051214 CfRR Project final draft-9803)

Aim

The Consortium of Swiss Organizations supports the CfRR project financially and with technical assistance (in Matara and Trincomalee districts and on national level).

The Swiss Consortium Partners

SDC, SRC, HEKS, SwS

Project duration

Initially March 05 – April 06. Extension was required in view of changes of GoSL policy and security in Trincomalee District (extension to March 2007 in Matara and September 2007 in Trincomalee).

Objectives

Initially provide 1'609 families with fully damaged houses, and 6'600 families with partially damaged houses, with financial compensation (2'500 USD and 1'000 USD respectively)

Eventually more than 10,000 families were helped through the extended program.

Influence CfRR policy development to reflect international good practice on cash-projects and participatory housing: participate in policy decision making within the donor community engaged with housing issues.

Influence CfRR implementation at district/division level to reflect international good practice on cash-projects and participatory housing

Cooperation modalities

Strategic project steering is with the "Cash for Rehabilitation" steering committee (SC) composed by the heads of SDC/HA, SwS, HEKS, and SRC.

The "Project board" (PB) at HQ level, composed by SDC, SRC and HEKS programme officers, acts as decision making body on relegated issues by the project management committee (PMC) as well as coordination body by internal management processes.

The project management is with the PMC at Sri Lanka level, composed by SDC CfRR coordinator, HEKS PM Matara and SRC PM Trincomalee.

Sri Lankan and international Partners

Policy dialogue on the CfRR program is done in close cooperation with WB, ADB, and KfW.

The project is implemented in close cooperation (according to the MoU) with the GoSL (TAFREN, MoF, and authorities on District, Division and village level). Construction standards are defined and employed in cooperation with NHDA. Money flow to beneficiaries is monitored in cooperation with the MoF and the two state banks implementing the payments.

Project budget

See the financial data, below under section 6.

Funds allocation to Beneficiaries

Consortium of Swiss organizations finances at the national level (Treasury); funds are earmarked for the project. The release of the funds from Switzerland to the specific Treasury account is done as a refund based on the database of the Consortium of Swiss organizations and the official bank statements as approved by PM in Matara and Trincomalee.

Personnel

Matara: 1 HEKS expatriate, 6 nationals as well as support staff

Trincomalee: 1 SRC expatriate (2 expats in phase I), 12 nationals officers as well as support staff

Colombo: 1 SDC expatriate (coordination)

Visibility of the Swiss Consortium

Main strategy of the Swiss engagement in the CfRR scheme is:

"funded by the people of Switzerland"

General project design

As per GoSL guidelines The CfRR project distinguished between 2 categories of beneficiaries. The first category beneficiaries are house owners whose house was fully damaged by the Tsunami. They receive a total cash grant of Rs. 250'000 (USD 2'500) in 4 installments. The second category beneficiaries are house owners whose house was partially damaged by the Tsunami. Beneficiaries registered within this category are eligible to receive a total cash grant of Rs. 100'000 (USD 1'000) in two installments.

The cash grant was deposited into beneficiaries' bank accounts in incremental instalments.

For 1st category (fully damaged houses) beneficiaries the release of installments was based on:

- 1st instalment: (Rs 50'000) receipt of entitlement (registration) certificate
- 2nd instalment: (Rs. 60'000) completion of either a) foundation, b) walls, c) roof, d) doors & windows
- 3rd instalment: (Rs. 80'000) completion of either of the 3 remaining out of a) to d)
- 4th instalment: (Rs. 60'000) completion of either of the 2 remaining out of a) to d)

For 2nd category (partially damaged) beneficiaries the release of instalments was based on:

- 1st instalment: (Rs. 50'000) receipt of entitlement certificate
- 2nd instalment: (Rs. 50'000) completion of either a) foundation, b) walls, c) roof, d) doors & windows

4.5. Project methodology and financial flow

Beneficiary pre-selection and damage assessment:

Done by the district administration , on the basis of claims received from potential beneficiaries. Beneficiaries houses are either classed as "partially damaged" or "fully damaged".

Registration:

Done by Division Secretaries, on the basis of beneficiary paper file filled in by Damage Assessment Teams from NHDA. Main additional information: title deed to land the house is built on. Beneficiaries data (paper files) are transferred to Consortium of Swiss organizations and entered into the database.

Registration and damage assessment complaints:

Treated by grievances committees (with Consortium of Swiss organizations as resource body only).

Eligibility approval and 1st payment:

Accepted registration leads automatically to eligibility approval, and is done by the District Secretariats. The registration forms are submitted to the Bank and 1st payment is automatically released.

Monitoring of construction process, construction advice, and construction quality control:

Done by NHDA officers after completion of each construction phase (at least 4 visits per house), using standard assessment instrument. NHDA site visits are controlled by Consortium of Swiss organizations (log sheets with house owners), and cross-checked by Consortium of Swiss organizations technical officers (average 25% cross-checks).

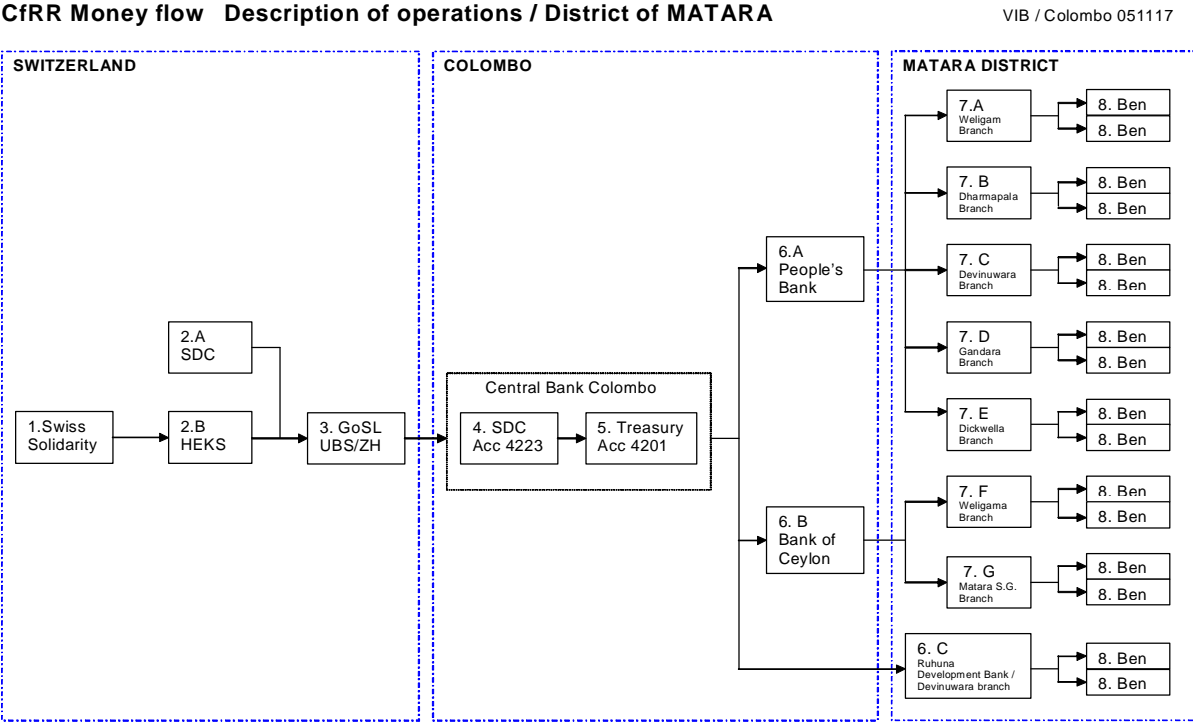
Technical officers from District Secretaries also monitor construction sites and provide advice (rhythm according to available resources). In Matara, the Consortium of Swiss organizations monitors construction through photographic documentation, with the Swiss technical advisor controlling each construction step on the photographs.

Approval for next instalment release (2nd – 4th instalment):

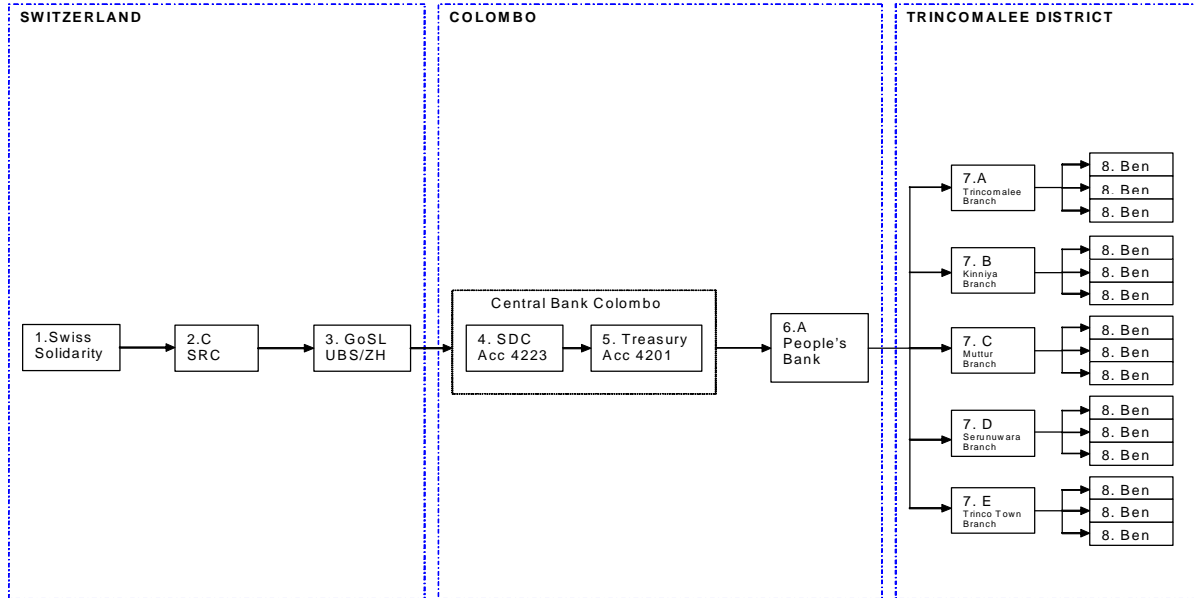
Based on NHDA technical officer reports. In the initial damage assessment, the DAT team indicates the necessary construction progress to be reached for each instalment (4 phases). In Matara, after entering the NHDA technical reports into the database, the Consortium of Swiss organizations draws up the payment authorization list, and the Consortium of Swiss organizations project managers signs the list. After control processes at the Division and District levels, the Division Secretary and the GA also sign the payment authorization (3 mandatory signatures for payment release).

4.6. Financial flow of Beneficiaries contributions reimbursed from Switzerland

Basic principle: the Consortium of Swiss organizations reimburses the GoSL for payments made to CfRR beneficiaries in Matara and Trincomalee districts. The refunding procedure agreed upon with the GoSL is as below:



CfRR Money flow Description of operations / District of TRINCOMALEE



Payment process:

The State Banks transfer the 1st installment to the beneficiaries accounts (each beneficiary holds an account at one of the banks, free of charge) according to the registration lists signed by the Division Secretaries. Transfer lists are shared with the Consortium of Swiss organizations and entered into the database.

The State Banks transfer the 2nd -4th installments to the beneficiaries accounts according to the lists signed by the Consortium of Swiss Organizations' PM, Division Secretaries and the GA. The banks provide the Consortium of Swiss organizations with transfer lists, which are then entered into the database (payment verification).

Note : The state banks use their own reserves to cover program financial needs as long as the donors have not reimbursed the funds disbursed to beneficiaries.

The Consortium of Swiss organizations refunds the payments to the beneficiaries by the retail banks based on the Consortium of Swiss organizations database and the official bank statements as approved by Consortium of Swiss organizations project managers in Matara and Trincomalee.

1° Refunding payments by the Consortium of Swiss organizations parties are initiated on regular intervals as decided upon by the CfRR Steering Committee.

2° The Treasury transfers the Consortium funds to reimburse the Retail Banks.

5. CfRR project implementation 2005-2007

5.1. Initial arrangements

At field level in Matara and in Trincomalee the project was started in March 2005 by SHA corps members with previous “Cash project” experience. These first teams set-up the projects offices, recruited the initial local staff teams and laid the basis for the adapted data-management tool. Implementation methodology was based on SDC “Cash Workbook” manual, based on previous cash experiences. The teams also established operational contacts with District Administration, NHDA, TAFREN and other involved organizations. During these initial months many methodological issues had to be fine-tuned, including relations with the banks and management of the money flow from Switzerland to the GoSL Treasury account in Colombo and from there to the respective local banks.

In October 2005, the SHA teams handed-over the project field operations management to the Swiss Consortium partners: SRC in Trincomalee and HEKS in Matara.

5.2. General implementation supervision

During the course of the project implementation close attention was regularly brought to a number of important issues to minimize risks and improve efficiency. Amongst these were control of quality in construction, awareness of corruption or nepotism risks, attention to gender issues, checking potential misuse of funds, monitoring of the availability of construction material, facilitating coordination to avoid duplication, identifying vulnerable beneficiaries and seeking adapted solutions. These important aspects are further detailed in the SRC and HEKS reports.

At District and Division levels the Swiss Consortium (SC) field teams were successful in effecting a number of program adjustments in the interest of quality, equity, fairness and transparency. The introduction and management of the database by the SC and the authorization of payments by the SC's field management are highly commended, as it enabled the SC to gain key control over the project including non-authorization of payments. The established refunding mechanism of beneficiary contributions - advanced by the banks and/or Sri Lankan government - served as an additional tool to secure transparency and accountability of the Swiss financial contributions. The SC agrees with the evaluation report's remark that more could have been done in monitoring the impact on household level although the SC considers the beneficiary satisfaction within the CfRR as high

5.3. Project steering

The central tool for steering the project at field level was a dedicated software with database designed by SDC in the context of previous "cash" programs and adapted to the Sri Lanka situation.

This software made it possible to register thousands of beneficiaries with their specific personal and bank details. It also made it possible to monitor the sequence of payments and to cross-check with listings from the banks.

Its main advantage, though, is that it made it possible to plan, check and verify the regularity of visits paid to beneficiaries during the construction period, limiting unnecessary delays and facilitating transparency.

Registration

Registration of beneficiaries was performed by the local administration at District level. Each beneficiary was visited by a damage assessment team (DAT). The DAT estimated the damage, classified it into one of the 2 categories (fully or partly damaged), identified the beneficiary (including identity card number, address, land title, bank relation, etc.). Subsequently this information was entered into the database which was provided and managed by the Swiss Consortium.

Verification

All beneficiaries were periodically visited and construction progress verified by either Technical Officers (TOs) of the National Housing and Development Authority (NHDA) or by field officers employed by the Swiss Consortium or by the Project Managers.

Once a beneficiary successfully completed a construction phase he/she became automatically eligible for the next installment. This information was entered into the database and the beneficiary would be listed on the next due payment list for the bank branch.

Announcements

All decisions related to beneficiary registration status and classification (fully damaged or partly damaged) were made public in a transparent manner. Lists were taken from the steering database and published on boards at the district and divisional administration offices.

Grievances

Grievance committees were set-up at village level and divisional level. They consisted of accepted community representatives, officials from the local administration and program representatives. Most of the complaints were related to category changes (partly/fully damaged).

Payments

Payments to beneficiaries were released to respective bank accounts of beneficiaries by the designated bank branches upon submission of the official payment list produced by the database. Each payment was authorized by the Swiss Project Coordinator present at district level.

5.4. Reporting and financial flow monitoring

On a bi-weekly basis Matara and Trincomalee Project Managers would provide the program coordinator in Colombo with a report including one narrative part and one part with updated financial data giving details of amounts authorized for payment over the period.

These reports were then processed and compiled in Colombo and then forwarded to the Consortium Project Board in Switzerland. The Project Board could make comments or ask for additional details as required.

Based on these detailed report the amounts due for repayment to GoSL was calculated and money transfers were made by Consortium members on this basis . As agreed with the GoSL Treasury, transfers would be made only when a substantial amount was due.

The CfRR coordinator in Colombo would monitor and verify the transfers to the Treasury and also verify that the Treasury paid back the banks accordingly.

Note : Two independents financial audits of the money flow were performed, one in 2006 and one in 2007, both concluding on the transparency and trustworthiness of the whole chain of money transfers and payments, from the Beneficiaries to the banks, to the Treasury and to the Consortium partners in Switzerland.

5.5. Partners and cooperation

As one of the four main donors of the GoSL CfRR program the Swiss Consortium took part regularly in donor meetings with the other donors, namely the World Bank, Asia Development Bank and KfW.

Regular meetings with the Ministry of Finance and with the Treasury as well as with the participating banks were dedicated to monitoring money flow, payments to beneficiaries and reimbursement to the Treasury.

Meetings with TAFREN, and later RADA were also regularly held to address issues related to interpretation of governmental policies at field level.

At field level meeting were held regularly with District Authorities and also with NGOs partners in the top-up scheme.

5.6. Project adaptation in “Phase II” : top-up monitoring.

The change of guidelines during phase II implied one important difference, apart from increased budgetary envelope and time extension : formal top-up monitoring (Annexes: GoSL-Revised Tsunami Housing Policy April 06).

The top-up provided by other donors had to be phased-in together with the base grant monitored by the Swiss Consortium.

Although there was no formal obligation as per MoU, the Swiss Consortium was able in Matara and in Trincomalee to identify top-up partners and also to streamline and ensure the coordinated payments from the base grant and from the top-up funds.

For beneficiaries that were included in a top-up scheme, in phase II, that meant that all installments authorized under the CfRR Government program had to be phased in with parallel instalments paid through top-up NGOs.

In Trincomalee the main top-up NGOs were the Hong Kong Red Cross and the American Red Cross (Annexes: SRC- top-up final report AMRC, and: SRC top-up final report HKRC).

In Matara the main top-up donor was the Belgian Red Cross and a number of much smaller toping-up NGOs.

In Matara HEKS got approval from Swiss solidarity to finance the top-up funding of a remaining last batch of 17 beneficiaries for whom a top-up agency could not be identified.

5.7. Closing-down / handing-over

In Matara the project ended with the last installment approved for reimbursement issued in March 2007 (Annexes: HEKS_CfRRfinalreport_phasel and: HEKS_CfRRfinalreport_phaselI).

In Trincomalee, due to the difficult security situation, and also due to the initial difficulties in finding top-up partners, the approval of the last instalments was delayed to September 2007. (Annexes: SRC_CfRRfinalreport_phaselI, and: SRC_CRRfinalreport_phasel, and: SRC-CfRR presentation final).

SDC maintained in Colombo until Mai 2007 a full time project coordinator who liaised regularly with field teams and with the Project Board in Switzerland. Once the Matara project was closed the SDC country representative acted as CfRR coordinator until the close the Trincomalee project implemented by SRC.

At the end of the program the CfRR monitoring software and data base as well as all beneficiary documentation was handed over to District Authorities.

Necessary computers and printers were also left with the local administration as well as office furniture.

6. Achieved results and finances

6.1. Completed constructions

As discussed above the full reconstruction program was divided into two phases : initially phase I and phase II following the change of GoSL policy regarding the Buffer Zone.

The table below indicates the total results achieved during the course of the program.

	Number of partly damaged houses rehabilitated		Number of fully damaged houses reconstructed	
	Phase I	Phase II	Phase I	Phase II
Matara (HEKS)	4,205	655	856	535
Trincomalee (SRC)	2,242	186	1,355	595
Totals	7,288		3,341	
Total family houses addressed by the program	10,629			

Detailed reports concerning the above results have been produced by respective Consortium members (Annexes: HEKS_CfRRfinalreport_phasel, HEKS_CfRRfinalreport_phaselI. and SRC_CfRRfinalreport_phaselI, SRC_CRRfinalreport_phasel and SRC-CfRR presentation final).

Furthermore, the Consortium has kept as archives on dedicated hard-disk drives the complete back-up of the operational monitoring software and data concerning all the beneficiaries identity, indications on the history of reconstruction progress of each individual house and detailed accounts of all instalments paid.

6.2. Operational expenses of CfRR

The table below summarizes the verified, approved and financed payments of the Swiss Consortium necessary to achieve the above results:

Spending (*)	CHF	%
Payments to beneficiaries (**)	18'977'792	90.3
Field operations and personnel	2'038'854	9.7
Total ****	21'016'646	100.0
Funding (*)		
Swiss Solidarity (without PAX***)	15'832'034	75.3
SDC	1'859'231	8.8
SRC	1'908'981	9.1
HEKS	1'066'400	5.1
Principality of Lichtenstein	350'000	1.7
Total ****	21'016'646	100.0
* Final evaluation costs could possibly lead to marginal modifications		
** Including top-up of 17 beneficiaries in Matara and small projects in Trincomalee		
*** Total PAX contributions to SRC and HEKS amount to CHF 1'328'171		
Each Consortium member's accounts are independantly audited as prescribed by lawful practices		

7. Audits and project evaluations

7.1. Financial audits

The reliability and transparency of the financial flow was audited twice by PWC in 2006 and by KPMG in 2007. (Annexes: Swiss Solidarity-KPMG-report end of 07-resource_en_167366)

Both audits confirmed that the methodology, the operational monitoring and management process led to fully accountable financial transactions in the payments made to beneficiaries and reimbursements to the local banks by the Treasury with funds from the Swiss Consortium Partners.

The authors highlight that CfRR was extremely successful with outstanding operational achievements (10'629 houses in less then 3 years, representing close to 10% of the total reconstruction needs of Sri Lanka). The authors also indicated that allegations of corruption could not be substantiated

7.2. External evaluations

An external evaluation was commissioned October 2006. (Yasemin Aysan (lead), Muhammed Aheeyar, Paul Harvey, Shanti Satchithanandam).

The main conclusions were that this was a large and ambitious project, implemented in a difficult environment. Given this, the project could be seen in broad terms as a remarkable success. This evaluation provided empirical evidence that the growing trend towards

financial support to owner-driven post-disaster housing reconstruction is socially, financially and technically viable.

It showed that in a context where people are traditionally involved in organizing the building of their own dwellings, given adequate financial and technical support and functioning markets, they have the capacity to construct houses that are more likely to respond to their needs and preferences than houses provided by outside agencies. Moreover, in comparison to the alternative of 'donor driven houses', the cash project appears to have been much more effective and efficient. On the whole, people built their own houses more quickly and more cost effectively, than contractor built houses and contributed at the same time to the local economic recovery.

In terms of appropriateness the report conclude that support to housing was clearly in line with local priorities and assessed need. Housing was consistently seen as a key concern and an important component of the recovery process. The provision of cash rather than building materials or contractor built houses also seems to have been appropriate.

Concerning the effectiveness the methodology of Swiss support in the two districts was shown by the fact that, throughout the process of reconstruction the completion rate has been much more advanced in these districts than elsewhere in the country. In both districts Phase I of the Swiss Consortium programme was largely completed at the time of the evaluation, whereas the implementation of Phase II had been delayed due to late decisions by the GoSL and had only recently started.

The evaluation also noted weak points underscoring for example that the relative success of the project did not mean that there were not drawbacks in its implementation and areas where more could perhaps have been done to add to its impact. More could have been done for example to attempt to influence government policy in relation to the programme and the housing sector more generally at a national level and more should perhaps have been done to coordinate with other actors at district levels in relation to top-ups and complementary services such as water and sanitation. The monitoring carried out by the project could also have been strengthened to focus on analyzing and understanding social impact as well as tracking output.

The evaluation also pointed at particular other weaknesses in the project. These constructive remarks were taken into account and improvements could be brought to operations for the remainder of the program. The Consortium Steering Committee addressed the issues raised by the external auditors, clarifying them where necessary (Annexes: Consortium-070820 CfRR External Evaluation report and Mgt Comment).

7.3. Capitalization process

In February 2007 the members of the Consortium held a workshop dedicated to learn the lessons and best practices from the CfRR to make available useful documentation on the information platform on Cash Transfer Projects (Annexes: Consortium-070222 CfRR text capitalisation workshop summary).

The participants of the workshop were current and formerly engaged employees of the Swiss Consortium.

The issues addressed included:

- Institutional set-up of Cash project – Relations with GoSL
- Institutional set-up of Cash project – Relations within Consortium
- Project feasibility
- Capacity building
- Package of proven methodology and expertise
- Preparation of expert mission in advisory mission
- Database Security
- Operational issues

8. Annexes

8.1. Acronyms

Acronyms used in document and annexes

ADB	Asian Development Bank
BZ	Buffer Zone
CfRR	Cash for Repair and Reconstruction program
DAT	Damage Assessment Team
DGC	District Grievance Committee
DGC	Division Grievance Committee
DS	Divisional Secretary
FO	Field Office
GA	District Secretary
GoSL	Government of Sri Lanka
HEKS	Hilfswerk der Evangelischen Kirchen Schweiz
IFRC	International Federation of Red Cross & Red Crescent Societies
KfW	Kreditanstalt für Wiederaufbau
MoU	Memorandum of Understanding
NEHRU	North East Housing reconstruction Unit
NHDA	National Housing Development Authority
PWC	Price Waterhouse & Coopers
RADA	Reconstruction and Development Agency (replaced TAFREN)
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
SHA	Swiss Humanitarian Aid unit (expert pool within SDC)
SRC	Swiss Red Cross
SWHRU	South West Housing reconstruction Unit
SwS	Swiss Solidarity
TAFREN	Task Force to Rebuild the Nation
THRU	Tsunami Housing Reconstruction Unit
TO	Technical Officer
VRC	Village rehabilitation Committee
WB	World Bank

8.2. References

This report was compiled on the basis of available documents listed below.
Bold font indicates documents referred to in this report.

List of reference documents

Consortium-050503 text Vereinbarung_DEZA_SRK_GK Schlussversion_12_4_051582

Consortium-051214 CfRR Project final draft-9803

Consortium-070222 CfRR text capitalisation workshop summary

Consortium-070820 CfRR External Evaluation report and Mgt Comment

Consortium-071120 CfRR monitoring fund allocation phases I and II

Consortium Coop_Agree_SDC_HEKS_SwS_SRC_1901060001

Consortium-SDC-Factsheet CfRR SriLanka

GoSL-050323 first official reconstruction guidelines

GoSL-Dec-2006-Recovery and Reconstruction Report

GoSL-Revised Tsunami Housing Policy April 06

HEKS_CfRRfinalreport_phasel

HEKS_CfRRfinalreport_phaselI

HEKS_FinalStatement phase I.xls

HEKS_FinalStatement_phaselI.xls

SDC-050401 text of official MoU9543

SDC-060404-scan first amendment to MoU CfRR

SDC-061211 scan second amendment to MoU CfRR

SDC- Credit proposal 7F-04143.01 Cash for Rehabilitation

SDC-accounting-080718-Cash f Livelihood Sri Lanka 7F-041431_2

SDC-Credit proposal 7F-02484.01 CfRR evaluation

SDC-Credit proposal 7F-04547.01 Sri Lanka HEKS Co-Financing CfRR Matara (Phase II)

SRC-071031 CfRR Trinco overview 11

SRC- top-up final report AMRC

SRC top-up final report HKRC

SRC_CfRRfinalreport_phaselI

SRC_CRRfinalreport_phasel

SRC-CfRR presentation final-pdf

Swiss Solidarity- total CfRR-funds- CB_200608

Swiss Solidarity-KPMG-080131-Interim Report

Swiss Solidarity-KPMG-report end of 07-resource_en_167366

8.3. Other available documents or sources of data:

On external hard disk support:

Archived software and database of field monitoring, including all beneficiaries details (including numerous photographs) and payments made. <http://www.sdc-cashprojects.ch/>

As hard copies:

Matara end-of-project book listing all beneficiaries in each village.

Swiss Red Cross end-of-project book relating qualitative human contexts.

Internet links:

See: <http://www.sdc-cashprojects.ch>