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USAID/ OTI Sri Lanka Program Quarterly Report 1 November 2004 to 31 January 2005

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USAID/OTI Sri Lanka Program

**Quarterly Report
1 November 2004 to 31 January 2005**

**Prepared by: Development Alternatives, Inc.
Contract Number: OTI-D-00-04-00023-00**

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PROJECT OVERVIEW

On 29 July 2004, Development Alternatives, Inc. (DAI) signed Contract No. OTI-D-00-04-00023-00 with USAID's Office of Transition Initiatives (OTI) to continue implementation of the OTI Sri Lanka program. The new contract replaces Contract No. AOT-I-03-98-00199-00 executed under the SWIFT I IQC. The above-referenced new contract runs until 31 March 2006.

After 20 years of civil war, the Government of Sri Lanka (GOSL) and the Liberation Tigers of Tamil Eelam (LTTE) signed a ceasefire agreement in February of 2002. Formal peace talks began seven months later, facilitated by the Government of Norway. In the weeks that followed the commencement of the talks, the parties demonstrated a willingness to compromise on controversial issues in an effort to make tangible progress towards a negotiated settlement. An assessment mission to Sri Lanka by OTI in late 2002 concluded that the current peace initiative had the best chance of any to date in bringing a sustainable peace to the country. OTI concurred, and the Sri Lanka program was opened in February of 2003.

OTI's overall objective in Sri Lanka is to generate greater support for a negotiated settlement of the conflict. The program plans to achieve this objective through the funding of activities under two sub-objectives. The first sub-objective is to increase awareness and/or understanding of key transition issues. Illustrative activities under this sub-objective might include workshops on federalism, peace-themed arts performances and interactive dialogues. The second sub-objective is to increase collaboration and participation among diverse groups to set and/or address priorities. Activities that might be funded under this sub-objective include rehabilitation of community infrastructure with active local stakeholder participation, community dialogues and advocacy campaigns.

OTI's island-wide geographic focus called for the establishment of three offices under the management of DAI. These are located in Colombo, Ampara and Trincomalee. These locations were selected in order to target populations and issues that were the most congruent with the program's sub-objectives.

The following report will detail the major challenges faced during the past quarter. These will be categorized as Programming, Implementation and Operations and will indicate how DAI addressed these challenges and maintained the program's commitment to rapid response.

PROGRAMMING

Country Situation during the Quarter

The 26 December Asian tsunami overshadowed all other events that took place during the past quarter. The tidal wave killed over 30,000 in Sri Lanka, which was second only to Indonesia in terms of lives lost. Another 500,000 people were displaced and there were reports that up to 1 million people were affected. At 5% of the population, this figure indicates that the tsunami has had its worst per capita effect on Sri Lanka when compared to the other nations that suffered the devastation.

The worst hit districts were Ampara (10,436 dead), Hambantota (4500 dead), Galle (4214 dead), Mullaitivu (3000 dead), Batticaloa (2840) and Jaffna (2640). Displacements were worst in Galle, where 128,077 people remained displaced at the close of the quarter. In addition, Trincomalee had 81,643 IDPs while Ampara had 75,172 displaced as of the end of January. It is believed that many of Trinco's IDPs may also have been displaced by the conflict earlier.

The President was quick to call for international assistance to Sri Lanka in the tsunami's aftermath. Within days, dozens of organizations from overseas – most of them private - flew to Sri Lanka to provide relief. However, it was the response of Sri Lanka's own citizens in the hours immediately following the tsunami that was the most compelling of all. Religious institutions, local NGOs, private sector companies and individuals collected what they could from non-affected parts of the country and deployed to the affected areas in short order. Although the delivery of this relief was disorganized, it was indiscriminant, with Sinhalese, Tamils and Muslims helping each other in various parts of the country.

The government's own response to the tsunami was mixed. At the local level, Government Agents, Divisional Secretaries and Grama Sevakas struggled with data collection and coordination of assistance. At the national level, the President declared a state of emergency, vested herself with sweeping emergency powers and established the Center for National Operations. It was not long before this latter institution became bogged down in terms of coordination and information sharing. Seeing a window of opportunity, some actors were quick to exploit tsunami assistance for political gain.

Prior to the tsunami, the political environment in Sri Lanka was approaching its most worrisome level since the ceasefire was signed in February 2002. In the post-tsunami period, the early goodwill that was shown by government, the opposition and the LTTE was replaced by bitter acrimony over the handling of the relief effort. At the quarter's close, the situation was as polarized as ever.

The LTTE's Heroes' Day celebrations in November raised the level of rhetoric and agitation. This spilled over into violence in Trincomalee when a JVP-backed Sinhalese nationalist group organized protests to the Heroes' Day events. After two days, the LTTE called a hartal in protest for alleged excesses by the security forces during the Heroes' Day celebrations. In truth, the only people who were injured during this period were Sinhalese as the security forces tried to prevent them from attacking Tamils.

In the days that followed, the LTTE sent signals that seemed to indicate a return to war was imminent. Anton Balasingham, the LTTE's primary theoretician, made an explicit statement to this effect in London. In addition, female LTTE cadres were reported to have made door-to-door visits in Trincomalee advising people to sell their belongings and get ready to move/be displaced because the war would start soon.

The Asian tsunami changed everything. Among the worst hit districts was Mullaitivu, home to the LTTE's Sea Tiger base. Reports indicated that the base was completely destroyed. Over 3000 people in Mullaitivu lost their lives, including a significant number of Tiger cadres. Although the LTTE claimed that only 10 of their number had succumbed, the true total is believed to be quite higher. There were even rumors circulating that Prabhakaran himself was among the dead. These rumors were dispelled when he appeared publicly during the visit of a high level delegation from Norway.

At the quarter's close, the government was still trying to develop a mechanism for joint distribution of relief and reconstruction assistance to LTTE-controlled areas. In a sense, the provision of this assistance has replaced the hotly-debated ISGA as the catalyst for further engagement in the stalled peace negotiations.

Quarterly Program Retreat Aids Cross-Fertilization and Relationship Building Among Program Development Staff

One of the outcomes of the November Senior Management Team meeting was the decision to hold quarterly program meetings for all program development staff. It was thought that regular meetings of this nature would enable PDOs to share their programming successes, techniques and new ideas for future initiatives. It was also thought that the "face time" between PDOs for the different offices would further strengthen the camaraderie they already enjoy.

The first quarterly program retreat was held in the hill town of Nuwara Eliya on 14 December. PDOs gathered for a dinner meeting the night before in order to identify the issues they wanted to discuss and outcomes they expected from the retreat. The focus of this particular retreat was a review of activities under the revised strategy and a sharing of ideas on how these could be made more impactful. The session was broken into modules that were facilitated by the PDOs themselves.

The PDOs were pleased with the conduct and outcome of the retreat. All reported that they had learned something new which could be applied immediately in the context of their work.

The next quarterly program retreat will be held in Colombo on 28 February.

Overall Programming

At the close of the quarter, the program had made a total of 334 grants for \$8,025,696 since inception. Of this, 151 grants totaling \$4,350,376 have been made since the start of the new contract. This represents a burn rate of \$725,063 per month, which is substantially above the initial target of \$625,000 per month envisaged under the new contract. In addition, there were 57 grants made in the post tsunami period for a total of \$1,165,586 by the quarter's close. This is a remarkable achievement by program development staff at a time when some of them had to deal with personal crises as a result of the tsunami.

As expected, the overall picture of grant making during the past quarter changed due to the tsunami. National level grants – mostly media and information activities – comprised only 9% of total grants as compared to 11% as of the end of October. Total funds committed to national level grants also declined to 9% of the overall total. Once again, this change reflected a greater emphasis on making grants that were geographically relevant to tsunami-affected populations.

Grants to partners in the south increased slightly to 26% of total grants versus 24% of total grants approved at the end of October. However, funding for southern grants rose dramatically from 33% to 37% of total funds committed to date. Once again, grants focusing on tsunami-affected populations were responsible for the shift.

Grants in the border areas of Anuradhapura and Vavuniya comprised 4% of the total grants made to date on the program and 3% of overall funds committed. Grant making to the border areas early in the quarter was responsible for maintaining these percentages in the post-tsunami grant making period.

Grant making in both Jaffna and Puttalam all but ceased during the past quarter. As a result, their percentage of the total grants and funding commitments also declined. As the program progresses, we will continue to move away from grant making in these two locations in favor of grants that target the south, east, borders and national level.

Grant making in the east (Ampara and Batticaloa) grew to 31% of the program total during the past quarter. The percentage of total grant funds to date also increased to 21%. In the northeast (Trinco), the percentage of overall grants actually declined to 19% from 21% while funding for northeast grants increased slightly from 13% to a total of 16% of overall grant funds committed. As with grants to the south, these shifts reflected a focus on assistance to tsunami-affected districts. Details of grant making by office are addressed below.

Colombo Office Programming

The Colombo office closed the quarter with a total of 170 grants for a value of \$5,150,058. Grant making for the quarter was robust due to the post tsunami response, with 43 new grants being approved for a total of \$1,155,032. From a geographic perspective, Colombo office grants approved during the past quarter largely focused on the south with some early quarter grants made in the border areas.

Two of the most noteworthy grants made during the past quarter were focused on the clean-up of a 26 kilometer stretch of road in Galle district. One grant was given to the Galle Government Agent's office to supply heavy machinery to remove the rubble left behind in the wake of the tsunami. The other was given to a well-respected southern NGO to mobilize over 4000 volunteers and tsunami-affected cash-for-work laborers to sort through and remove debris along this route. The highly visible project was the focus of visits by many high level dignitaries, including Secretary of State Colin Powell.

Another couple of grants in Hambantota district brought together non-affected youth volunteers with tsunami-affected community members in the devastated area of Kirinda. The first grant focused on removing the rubble and debris from Kirinda town and leveling the area

for future development as a memorial park for the tsunami victims of the area. In addition, the grant provided heavy equipment for the rubble removal; the equipment was also used to clear the area that would become the permanent resettlement site for the surviving community members. The second grant integrated with the first grant by holding an inter-religious commemoration of the victims of the tsunami and also to celebrate the achievements of the clean-up workers. The ceremony was broadcast live over regional electronic media.

Ampara Office Programming

At the end of January, the Ampara office had approved a total of 99 grants for \$1,614,058 since the program's inception. Of this amount, 25 grants for a total of \$330,973 were awarded during the period covered by this report. Geographically, 22 grants were made to partners in Ampara district, two in Moneragala district and one in Badulla district.

The tsunami seriously affected Ampara district but gave the Ampara office an opportunity to put its fast, flexible, in-kind mechanism to good use. With great needs in Ampara and with road networks to Batticaloa being closed because of washed out causeways, the Ampara office decided to focus its tsunami response only in Ampara.

An immediate response to an urgent need became a grant to provide equipment such as water tanks and pumps, generators and lighting facilities to the schools and temporary camps that were housing thousands of displaced people. Hand tools and equipment for the early clearing effort were provided to Divisional Secretaries through a consortium of past coastal NGO partners.

The willingness of past and present grantees to help with the tsunami effort was the impetus for a large cleaning project that would bring volunteers from as far away as predominantly Sinhalese Badulla and Buttala to the coastal area for community-identified cleaning activities. Working with another local NGO partner, groups of fifty mixed-ethnicity volunteers participated in four-day cleaning projects that targeted damaged local schools and individual affected family dwellings and compounds. The program was so well received that many requests for assistance from the volunteers were coming directly from government officials and even individual communities.

Trincomalee Office Programming

By the end of January, the Trincomalee office made 14 new grants for a total of \$336,730. Overall, the total number of grants given by the Trinco office since the program's inception was 65 for a total of \$1,261,580.

Trinco's grant making in the post-tsunami period was characterized by large scale clean-up efforts in key affected communities. However, the clean-up efforts in Trinco were different than in other parts of the country for an important reason – not one of the clean-up laborers, including tsunami-affected individuals, received cash for work.

In Kinniya, which was one of the worst hit areas in Trinco district, 400 Muslim and Tamil youth, organized through four local NGOs under the leadership of the local authority, mobilized to remove debris and rubble from the town. In Trinco town, 150 Muslim, Tamil and Sinhalese youth volunteers worked together to plan and carry out a clean-up. In Muthur, which

was badly affected by the tsunami, two grantees mobilized more than 400 youth volunteers to carry out clean-up activities.

In addition to clean-up, the Trinco office also targeted lost livelihoods in their post-tsunami response. An earlier grant to a multi-ethnic fishing society had provided the organization with fishing boats and other equipment to improve members' income generation potential. Many of these assets were lost in the tsunami. After an assessment by Trinco program staff, another grant was given to the fishing society to repair the damaged equipment and replace that which was lost.

IMPLEMENTATION

There were many challenges and some successes in implementation during the past quarter both before and after the 26 December tsunami.

One of the greatest implementation constraints of the quarter was a change in the LTTE's policy on taxation of international assistance passing through areas under their control. An earlier agreement had exempted the program's in-kind commodities from the tax. However, the LTTE changed this policy in early November. After allowing one shipment through tax-free after this date, they then demanded payment thereafter. As a result, the implementation team ceased all transport of goods bound for Jaffna through the Tiger-controlled Wannu region. Alternative transport options were investigated – including possible use of UNHCR flatbeds (the UN is the only organization allowed tax-free passage) – but none were found to be viable for different reasons. As a result, the program will not be making grants in Jaffna for the foreseeable future.

Delays in implementation by the Trinco office staff occurred as a result of the outbreaks of violence and subsequent hartals following Heroes' Day celebrations. The severity of the violence made field travel unsafe during this period. Staff circumvented the travel ban by conducting procurement activities over the telephone until the security situation improved.

Changes were made to the roles of the Grants Specialists during the past quarter. It was decided that GSs would maintain master grant files in the field through grant closeout before sending these on to Colombo. Given the higher volume of grant making under the new contract, it was thought that more local control of the master grant files would ensure that the accuracy of documentation remained high. Colombo Grants Managers will still be responsible for final audits of the master grant files.

Early in the quarter, the program stepped up the use of the TAMIS system. All staff became conversant in manipulating the system, thereby standardizing many functions and saving a great deal of time in the preparation of procurement documentation. In addition, TAMIS proved useful for staying on top of ongoing grants activities, particularly in terms of tracking disbursement rates. TAMIS's integrated functions also enabled management to tie travel requests to reporting, enabling the program to capture important best practices and lessons learned in a much more systematic manner.

In December, the Colombo office organized a one-day workshop for its field coordinators to improve the professionalism of the corps, to introduce new standardized procedures and reporting formats and to train the coordinators in the use of these. FCs were also imbued with the program's mandate and objectives to sensitize them to the nuances of grantee activities. Program staff facilitated the workshop, ensuring that each functional area was presented to the FCs. The workshop culminated in a screening of "Take This Road" and a closing dinner.

Finally, a task force of Grants Managers, Grants Specialists and Procurement Specialists from all offices revamped and finalized new standard budget formats for sectoral activities. The budget formats cover reconstruction/rehabilitation grants, media activities and

workshops/meetings. In addition, new Scopes of Work were created for various consultant categories along with fee structures for each based upon location and experience.

OPERATIONS

The highlights of the quarter are detailed below.

Administrative and Staffing Issues

The tsunami in December had a large and tragic impact on the program. Mr. Mohamed Juwitha Thassim, one of our Project Drivers in Ampara, was reported missing with his wife and son, and no word has ever been received regarding him. Other staff members lost family members in the flooding and many experienced the loss of personal property. Office operations in the immediate post-tsunami period were slow at first owing to staff having to deal with their personal situations. However, within 3 days after the tsunami, most staff were back at work to support OTI's relief efforts.

Personnel recruitment continued in all three offices during this quarter. Searches for three expatriate positions began in early November for Regional Program Managers in Trincomalee and Ampara and for Operations Manager in Colombo. Ms. Janelle Kempel, a DAI home office staff member, accepted the position of Operations Manager and will begin in early February. Ms. Kempel, who replaces Matthew Buzby, has a number of years of experience in contract and project management. Ms. Clare McConnachie also accepted the position of Regional Program Manager in Trincomalee. Ms. McConnachie has worked for six years in Sri Lanka as a volunteer, most recently with the United Nations. A candidate for the Regional Program Manager position in Ampara has been identified and final clearance is expected shortly.

The Colombo office filled its final vacancy. Ms. Lingeshwary Sugavedu accepted the position of Procurement Specialist and began working the second week of December. Ms. Lingeshwary worked previous for Medicins Sans Frontiers as a Logistics Specialist. The Colombo office also welcomed Messrs. Lasantha Rodrigo and Thanarajah Thurairasa in October. Both transferred from the Ampara office. Mr. Rodrigo is a Procurement Specialist and Mr. Thurairasa is a Project Driver.

The Trincomalee office continued with their recruitment efforts. Ms. Refinceyaa Patterson, formerly Grants Specialist, was promoted to Program Development Officer. Ms. Patterson, who replaced Ms. Natasha Cassiere, assumed her role at the beginning of November 2004. In addition, Mr. Prasanna Chandana Samarawickrama was hired in December 2004 as the final Program Development Officer and completes the program development staff. The procurement team was also fully staffed with the arrival of Mr. Conrad Anthony as Procurement Specialist in January 2005. The search continues for a Grants Specialist to replace Ms. Patterson.

In Ampara, all remaining staff positions were filled. Three drivers were hired: Messrs. Jabeer Ahaamed Lebbe, Punithan Balasundaram, and Mohamed Juwitha Thassim. The Ampara office will need to search for a replacement for Mr. Thassim as noted earlier. In December, the staff welcomed Ms. Nirmi Samantha Vitarana as the third Program Development Officer, and in January, Mr. Aloysious Cruze joined as the third Procurement Specialist.

An increase in the number of international organizations in Sri Lanka in response to the tsunami has led to a massive nationwide local staff recruitment drive. Many of the program's staff members have been approached to take up these positions. So far, staff have remained loyal to the program. However, the prospect of longer term, more secure employment and, in some cases, more attractive compensation packages could lure staff to leave. DAI is developing some strategies to retain staff. These are being discussed with OTI for possible implementation in the second quarter of 2005.

Financial and Contractual Issues

On 13 January, Rachel Wax, Cognizant Technical Officer, authorized DAI staff to work a six day work week in order to respond adequately to the crisis caused by the tsunami. The authorization covers the period 26 December 2004 to 12 February 2005.

On 14 January, USAID obligated an additional \$2,500,000 to the contract. This brings the total amount of obligated funds to \$10,767,399.00.

ANNEX A