



USAID
FROM THE AMERICAN PEOPLE

SRI LANKA TRANSITION INITIATIVES PROGRAM

QUARTERLY REPORT

OCTOBER 2008 - DECEMBER 2008

OCTOBER 2008 – DECEMBER 2008

This publication was produced for review by the United States Agency for International Development under contract number OTI-D-00-04-00023-00 . It was prepared by DAI.

SRI LANKA TRANSITION INITIATIVES PROGRAM

QUARTERLY REPORT

OCTOBER 2008 - DECEMBER 2008

CONTENTS

PROJECT OVERVIEW	1
PROGRAMMING	3
COUNTRY SITUATION DURING THE QUARTER	3
OVERALL PROGRAMMING	3
IMPLEMENTATION	6
OPERATIONS	7
CONTRACTS	7
PROCUREMENT.....	7
ADMINISTRATION	7
STAFFING	7
SECURITY	8
ANNEX A: SRI LANKA SLTI EXPENDITURE ANALYSIS	A-1
ANNEX B: SRI LANKA SLTI EXPENDITURE ANALYSIS	A-2

PROJECT OVERVIEW

The genesis of the OTI program in Sri Lanka dates back to late 2002 when an assessment mission concluded that the peace initiative taking shape at that time had the best chance of any to date in bringing sustainable peace to the country: after 20 years of civil war, the Government of Sri Lanka (GoSL) and the Liberation Tigers of Tamil Eelam (LTTE) signed a Cease Fire 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 willingness to compromise on controversial issues in an effort to make tangible progress towards a negotiated settlement. OTI concurred with the assessment and the Sri Lanka program was opened in February of 2003.

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

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

The December 26, 2004 tsunami created unprecedented destruction to over two-thirds of the coastline of Sri Lanka including many of the conflict-affected and conflict-vulnerable communities targeted by SLTI's grant-funded activities prior to December 2004. SLTI responded in the immediate aftermath of the tragedy, and then transitioned towards recovery programs –first with funds from OFDA followed by supplemental funding earmarked by Congress– that fully incorporated SLTI's peace-building mandate into the grant-funded activities designed for tsunami-affected communities.

After the initial thirty-two months of contract OTI-D-00-04-00023-00 (from August 1, 2004 to March 15, 2007), OTI handed over the management of the program to the USAID Sri Lanka Mission from March 15, 2007 onwards.

In July 2008, USAID, with funding from the U.S. Department of Defense's Overseas Humanitarian Disaster and Civic Aid (OHDACA) appropriation, through the U.S. Pacific Command (PACOM), directed the Sri Lanka Transition Initiatives (SLTI) program to support the return of displaced persons to their Eastern Province communities of origin after armed hostilities in 2006 and 2007 between the LTTE and the GoSL. The aforementioned funds will support rehabilitation of schools and health facilities that directly or indirectly meet critical humanitarian needs – including the restoration of livelihoods – of affected populations in these areas, which are now under GoSL control. SLTI contract was extended until July 31, 2009 to meet this objective.

The initial tranche of \$2.42 million from PACOM is intended to cover the cost of designing, building or rehabilitating, and providing quality assurance for projects within seven divisions of the Batticaloa and Trincomalee districts. Projects were identified in collaboration with the U.S. Army Corps of Engineers. Projects were chosen based on needs identified by relevant government authorities and international agencies, coupled with OHDACA funding criteria. The Contracting Officer Technical Representative (COTR), in consultation with PACOM, decided the final allocation of resources among the proposed projects for PACOM funding FY08-09 based on the recommendations supplied by DAI.

The primary objective of this particular funding is to ensure the timely completion of high-quality infrastructure projects that have a humanitarian impact. The process to ensure positive results include fostering community participation and ownership, and engaging the local and regional government authorities responsible for serving these communities.

PROGRAMMING

COUNTRY SITUATION DURING THE PERIOD

The political and security situation continued the volatile trend as experienced in the months preceding this reporting period.

Intensified military operations continue to try and recapture areas of the LTTE in the northern region. High-level security checks are prevalent throughout the main cities and within the newly cleared areas of the entire Eastern province. Given the on-gong military operations in the northern regions there is anticipation of possible retaliatory/diversionary incidents that could occur within the cleared areas of the east. As operations intensify, the enforced withdrawal of all NGOs and INGOs operating within LTTE controlled areas, the massive displacement of civilians, and the overall safety and security of the civilians in the area continue to cause deep concern among the local and international humanitarian assistance agencies. The escalation of military operations was of intense concern to the neighboring Indian state of Tamil Nadu, and politicians and members of arts and cultural forums carried out large protests and advocated to the Indian central government for intervention in the crisis. The state of Tamil Nadu, donated food and medical aid through the government of Sri Lanka, and engaged with the ICRC to ensure equitable allocation and distribution to the affected populations in the Wannai area.

This quarter showed an increase in violence within the Batticaloa district. Several incidents of assault, killings, abductions and robbery are reported on daily basis – in one night alone 15 killings were recorded. Checkpoints and routine round ups have intensified in the area; civilians are subjected to rigorous interrogation and physical checks during travel within and to and from the district.

The situation did not pose a direct and immediate danger to SLTI's work in the East, although LTTE efforts to de-stabilize the region with small-scale attacks on police and security forces are likely to continue. Despite constant claims from both the government and groups involved, that the cadres of various factions have been disarmed, it is not uncommon to regularly see armed youth of the Paramilitary groups seated on the roadside along the routes project staff and construction subcontractors use to access some of the project sites.

The President dissolved two of the eight provincial councils, and called for fresh elections for the new term. The Central and North Western Provincial Council elections are to be held on 14 February 2009. Nominations for candidacy closed on 31 December 2008.

OVERALL PROGRAMMING

During the reporting period, architectural and structural design activities were carried out for all approved and funded projects. DAI staff continued the frequent field visits to the project sites and further discussions with the stakeholders.

Requested by DAI and conducted earlier in August, the technical pre-feasibility study for PACOM selected projects contained a series of recommendations and basic cost estimates at current building construction rates intended to inform the Request for Proposals (RFP) for A&E

services that DAI released immediately after the study was completed. MMGS was the firm selected and became DAI's subcontractor in September. From then onwards, MMGS worked on the schematic drawings and complete bill of quantities for all PACOM-funded FY08 projects in close contact with the relevant authorities.

During the course of these detailed discussions the regional health authorities pointed at several elements in the design of the Hospital projects and insisted that the new constructions should comply with the latest health standards and specifications approved by the Ministry of Health. Additional requests were also brought up to allow the Hospitals to qualify for higher grading: Navatkadu Hospital to move from Maternity Home to 'B' grade Divisional Hospital and Karadiyanaru Hospital to move from a 'C' grade Divisional Hospital to 'A' grade Divisional Hospital. The upgrading in both cases would result in the allocation of more medical staff and resources which will have a positive impact in terms of sustainability and cost-effectiveness of the investment.

The costs of the enhanced scope of work for both hospitals amply exceeded not only the remaining budget available for them but also the ceiling amount contained in the Memorandum of Understanding (MoU) USAID signed with the Ministry of health (US\$450,000). Given that the regional health authorities were not amenable to approve the Hospital designs that fitted within the available budget –slightly higher than the MoU ceiling–, the decision was to undertake only one of the hospitals at this stage (Navatkadu, the one which costs were closer to the US\$450,000) and make the other Hospital (Karadiyanaru, which costs were higher) a priority for PACOM FY09 funding.

In addition to the approved batch of projects, DAI and MMGS carried out the necessary work to elaborate a list of potential projects suitable for the second batch of PACOM funding (FY09). In preparation for a PACOM delegation visit, DAI and MMGS carried out field visits to fourteen different project sites from November 1 – 4, 2008 and prepared a comprehensive Inception Report which was presented to USAID and the PACOM team for consideration.

DAI staff members Dr. Joseph Thanarajah, P Muralitharan, Anton Thambimuttu and Richard Wellington accompanied LTC Max Diaz and Mr. Bob Thomson of PACOM and Mr. Mike DeSisti and Mr. Auff of USAID on a field visit to currently approved projects and also to proposed for FY09 PACOM funding project sites in November 9 – 12, 2008. The delegation was split into two teams to ensure all project sites were visited.

The DAI team successfully resolved all the land issues that were affecting most of projects, and obtained mine clearance certification and the whole set of approvals required for construction work to begin.

DAI through its A&E Firm, MMGS, carried out a pre-qualification of contractors prior to the tenders. The pre-qualification advertisement was published in the national newspapers of all three languages. Twenty nine organizations collected the questionnaire. Sixteen of them submitted completed documents by the specified closing date. MMGS then evaluated the applicants based on pre-determined criteria. The result of that evaluation was that nine contractors were identified as competent to undertake the proposed work in the projects funded by PACOM.

DAI together with the A&E consultants completed the design and bidding process on all eight approved projects and presented and obtained clearance from USAID for eight grant activities during this reporting period.

Based on DAI recommendation to enter into an MoU with central government in order to garner greater support and buy-in at the regional level, USAID signed Memoranda of Understanding with the Ministry of Education and the Ministry of Health respectively in October 2008.

The technical and management teams from DAI and MMGS also agreed on the clustering of projects based on effectiveness, management considerations and economies of scale. The clusters designed were as follows:

- Package I – Amman Nagar School (S-1) and Arafar Nagar School (S-2)
- Package II – Thiruvalluvar School (S-4), Illangathurai Mugathuvaram School (S-5) and Punnayadi Namagal Vidyalam School (S-6)
- Package III – Pulipanjakal School (S-6) and Arasadithivu School (S-7)
- Package IV – Navatkadu Central Dispensary & Maternity Hospital (H-2)

IMPLEMENTATION

Implementation activities on project sites commenced and progressed well during this period. MMGS submitted the Technical Evaluation and required architectural and structural drawings for the seven schools (project code S1 to S7) and one hospital as they were completed during the months of October, November and December.

DAI programming staff continued to engage with field-level stakeholders to work towards planning the details of the proposed ground breaking ceremonies to be held early in January 2009.

The Bid documents were prepared and the Invitation for Bids was carried out for all projects during this period.

OPERATIONS

CONTRACTS

This period saw major changes in the project implementation, procurement and initial environmental needs assessment processes. Also, USAID’s Regional Contracting Officer determination regarding grant awards resulted in the need to carry out a contract modification to re-align the budget. Based on these changes, SLTI contract modification number 14, and direction for a revised grant agreement are pending approval as of this reporting period’s end date.

PROCUREMENT

In October, DAI together with MMGS prepared and issued Invitation for Bids for all four packages for construction. The schedule of activities pertaining to the bid process for the award of construction subcontracts is as follows:

Package Cluster	Invitation to Bid	Bid Closed	CO Approval	PO Awarded
Package I	24 October	4 November	25 November	26 November
Package II	31 October	11 November	23 December	24 December
Package III	14 November	21 November	23 December	24 December
Package IV	23 December	30 December		

ADMINISTRATION

One quarterly VAT report was submitted to USAID on 5 December, covering the months of September, October and November 2008.

STAFFING

The reporting period was characterized by a concerted effort to restructure operations, resources and staffing levels in order to complete the process initiated in the previous quarter aimed at adjusting all structures to the current program needs, that is the successful design, implementation and completion of the current PACOM-funded projects.

Operating from the Colombo and Batticaloa project offices, new recruitment was carried out to strengthen the Infrastructure team in order to carry out the PACOM project in a timely and efficient manner.

Staffing changes during the reporting period are summarized below:

- Ruwan Fernando, Grants Manager based in Batticaloa departed SLTI on 31 October 2008. The position was made redundant after that date.
- Jeikanth Balasunderam, Finance Assistant based in Colombo departed SLTI on 30 November 2008. The position was made redundant after that date.
- Sabapathy Perinparajan, Logistics Assistant based in Batticaloa departed SLTI on 30 November 2008. The position was made redundant after that date.

- Anton Thambimuttu joined the SLTI team on 1 October 2008 as the Infrastructure Officer based in Batticaloa
- Richard Wellington joined the SLTI team on 15 October 2008 as the Technical Officer based in Batticaloa
- Nandagopan Suluxan joined the SLTI team on 15 October 2008 as an Office driver based in Batticaloa.
- Thuraiyasa Thanarajah was promoted into the role of Operations Officer based in Colombo in November 2008. Mr. Thanarajah took on the duties and responsibilities required of the position with immediate effect.

SECURITY

This reporting period saw continued violence and several security incidents across the country including the capital city. However, to-date, these incidents of continued violence, abductions and killings within the eastern province, have not impeded DAI staff to travel regularly to and from the project sites. USAID made a direct request to the Ministry of Defense to obtain security travel passes for a six month period for DAI staff and contractors visiting the project sites in the districts of Trincomalee and Batticaloa. Approval of the request is pending as of the end of this reporting period.

It has been reported an increase in security incidents and more stringent security checks in the areas bordering the eastern province, with a higher number of check points being established and more intense checking and searching of vehicles.

A brief chronological record of the incidents within the period is summarized as follows:

- Shooting of a Sinhalese MO attached to Navatkadu Hospital on the night of November 16 triggers medical crises in eastern areas, with GMOA making demands of government for assured security and insurance for doctors to work in the area. All non-tamil doctors refuse to work in eastern province areas
- Police curfew (dawn-to-dusk) declared in Batticaloa on November 29 to facilitate intense search operations
- Batticaloa Mayor and councilors stage one day fasting protest against government's inability to curb violence and maintain law and order
- Increased presence of security officers at roads near the library & Batticaloa Municipal council was reported on 11 December, with the area blocked for public movement for some hours at mid-day
- Foundation for Co-Existence (FCE) committee member shot at and injured while he was in a relatives' house in Ariyampathy on December 13. A relative who was in the house at the time died in the cross fire and a girl got injured
- Police officers carry out a house-to-house search in the Navakudah area (5km south of Batticaloa) on November 12 and 15, inquiring about the residents of the house. The officers noted down the names and ID number of all the occupants
- Mobile phone coverage was suspended in Batticaloa and Trincomalee areas on December 28
- A suicide attack at a Civil Defense Force (CDF) checkpoint in Wattala, a suburb north of Sri Lankan capital Colombo, killed eight people and injured seventeen on December 28.