



Sri Lanka: Jaffna and Kilinochchi Water Supply Project-Additonal Financing

Project Name	Jaffna and Kilinochchi Water Supply Project-Additonal Financing										
Project Number	37378-014										
Country	Sri Lanka										
Project Status	Approved										
Project Type / Modality of Assistance	Loan Technical Assistance										
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Loan: Jaffna and Kilinochchi Water Supply Project-Additional Financing</td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 95.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 25.00 million</td> </tr> <tr> <td colspan="2">TA: Capacity Development of Institutions of Jaffna Water Sector</td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 500,000.00</td> </tr> </table>	Loan: Jaffna and Kilinochchi Water Supply Project-Additional Financing		Ordinary capital resources	US\$ 95.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 25.00 million	TA: Capacity Development of Institutions of Jaffna Water Sector		Technical Assistance Special Fund	US\$ 500,000.00
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth										
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships										
Sector / Subsector	Water and other urban infrastructure and services - Urban water supply										
Gender Equity and Mainstreaming	Effective gender mainstreaming										
Description	<p>The project supports the restructuring of the current project. It will (i) finance the cost overrun under the current project; and (ii) support the additional components of the desalination plant and related works under Output 1 and water resource management plan under Output 3. The overall project has the following outputs.</p> <p>Output 1: Water supply infrastructure and service in Jaffna Peninsula improved. The overall project will (i) install a desalination plant of 24,000 m³/day capacity; (ii) install 700 km of water mains and distribution pipes; (iii) install 60,000 metered new water connections; and (iv) operate and maintain the desalination plant for 5 years. The desalination plant will be designed, constructed, operated and maintained by a single contractor using DBO and performance-based contract. The O&M period under the DBO contract will be 7 years, out of which 5 years will be covered by the project and the remaining 2 year period will be financed by the government. The overall project will support the monitoring and independent review of the desalination plant services and the DBO contractor performance. The DBO contractor will ensure (i) proper bulk water metering; (ii) adequate water pressure at the turning point; and (iii) supplied water complies with national quality standards for drinking water. The National Water Supply and Drainage Board will manage the water transfer and distribution systems, and ensure timely payments of fixed and performance-linked variable fees to the DBO contractor. The DBO contractor will train the NWSDB staff in operating the assets during the O&M period and will turn over the desalination plant to NWSDB at the end of 7 years. NWSDB has committed to the continuity of O&M of the desalination plant beyond the contract period.</p> <p>Output 2: Headworks at the Iranamadu water tank improved. The overall project will support enhancement and strengthening of headworks at the Iranamadu tank to increase its water storage capacity from 131.4 million m³ to 148.0 million m³. Iranamadu tank remains an important drinking water resource for Jaffna, especially when the demand for drinking water is expected to increase significantly in the future. This output is expected to be completed by end of 2017 under the current project by the Ministry of Local Government and Provincial Council as executing agency and will not be covered by the additional financing.</p> <p>Output 3: Water resource management systems and capacity strengthened. The overall project will support long term water resource management and capacity-building of NWSDB. This output will include (i) developing a detailed action plan for ground and surface water monitoring and rehabilitation in Jaffna; (ii) conducting awareness campaign on water conservation and sharing from Iranamadu tank; (iii) completing a water resources management plan for Iranamadu tank; and (iv) community development in Vadamarachchi village, where the desalination plant will be located. Capacity development will also be carried out under the attached technical assistance.</p>										

Project Rationale and Linkage to Country/Regional Strategy

Asian Development Bank (ADB) approved the Jaffna and Kilinochchi Water Supply and Sanitation Project in November 2010. The Jaffna Peninsula, which lies in the northern-most part of Sri Lanka, was one of the worst affected from decades of conflict and is an economically lagging region. The project was the first initiative by a development partner to support the region's post conflict development and reconciliation. The project aims to transport approximately 27,000 cubic meter per day (m³/day) of raw water 30 kilometer (km) from Iranamadu tank in Jaffna peninsula to treat and distribute drinking water to the water scarce Jaffna and nearby towns. It also aims to improve sanitation infrastructure in Jaffna town and water resource management in the peninsula.

The project suffered significant startup setbacks resulting in implementation delays and cost overruns. The project was delayed due to local farmers' protests against the use of Iranamadu tank' water for drinking water purposes, although they agreed to water sharing at the loan appraisal stage. As a result of conflict, project due diligence was hampered resulting in cost underestimation. Moreover, as a result of conflict and remote geographical location, project implementation capabilities were weak. By 2017, the ADB financed overhead water tanks and the 51 km water pipes have been constructed under the current project. Considering the ongoing and completed works under the current project, and the current project's critical importance to the rehabilitation and reconstruction program of the Northern Province, the benefits of restructuring the current project outweigh those of cancelling it. The government is committed to the current project and has dedicated significant resources to improve project implementation including identifying a new water supply source and meeting the cost overruns. As of July 2017, the cumulative current project contract awards total \$72 million (90% of the ADB loan amounts), and disbursements total \$28 million (35% of ADB loan amounts). The project implementation is rated as on track, and safeguards compliance has been met.

The Government of Sri Lanka has put concerted efforts to improve the projects implementation. After extensive consultations and review of various options, including environmental assessment, production of drinking water from sea water through a reverse osmosis desalination process has been identified as a necessary interim solution to meet the urgent drinking water needed in Jaffna. The project now needs to be restructured to fund a desalination plant and additional financing to meet the cost overruns. The government has sent a request letter to ADB to restructure the project and process an additional financing. Although the annual rainfall in Jaffna is around 1,200 millimeter, surface water sources are limited. The Peninsula depends heavily on groundwater for drinking water and agriculture, the primary economic activity. However, the ground water aquifer is at risk from over-extraction, resulting in the intrusion of sea water. Neither ground water nor local surface water can meet the immediate drinking water demand in Jaffna. After extensive consultations and review of various options, including environmental assessment, a feasibility study identified production of drinking water from sea water through a reverse osmosis desalination process as a necessary interim solution to meet the urgent drinking water needs of Jaffna. The desalination plant is also essential for contingent water supply arrangement and a buffer against variations in rainfalls, among others, due to climate change. Nevertheless, further efforts to tap surface water are still needed to provide drinking water to the entire population of Jaffna. This will include reaching consensus on using Iranamadu tank for both irrigation water and drinking water; increasing the capacity of Iranamadu tank; improving water resource management; and encouraging water harvesting and rejuvenation of ground water aquifers. An integrated water resource management approach is necessary for achieving long-term sustainable solution for Jaffna's drinking water.

The current project needs restructuring primarily to reflect the change of water source from Irranamadu tank to a desalination plant and to strengthen the water supply component. The following changes are proposed: (i) inclusion of a desalination plant using a DBO contract; (ii) cancellation of water treatment plant and bulk water transportation from Iranamadu tank, originally cofinanced by the Agence Fran aise de D veloppement (AFD); (iii) exclusion of the sewerage component; (iv) inclusion of the household water connections; and (v) inclusion of water resource management and outreach activities. Based on the revised cost estimates and the cancellation of the AFD financing, the government has requested additional financing of \$120 million from ADB to meet the change in project scope and cost overruns. The closing date of current loan needs to be extended from 14 August 2017 to 31 December 2020 to complete the revised project scope through the current project and the proposed additional financing.

Impact	Current project Improved health and human development in urban areas of Jaffna Peninsula (Vision for a New Sri Lanka) Overall project: Unchanged.
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Project Outcome

Description of Outcome	Access to safe drinking water in targeted urban areas in the Jaffna Peninsula improved.
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Progress Toward Outcome

Implementation Progress

Description of Project Outputs	Water supply infrastructure and service in the Jaffna Peninsula improved. Headworks at Iranamadu Tank improved. Water resource management systems and capacity strengthened.
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Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location	Jaffna District, Kilinochchi
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Safeguard Categories	
Environment	A
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	<p>The project is classified as environmental category A. A full environmental impact assessment (EIA) including an EMP, was prepared and disclosed on ADB's website on 17 July 2017. Mitigation measures are proposed in the EMP to minimize habitat and species disturbance during construction and operation of the desalination plant and associated facilities. Implementation of a biodiversity management plan in the EMP will ensure no net loss of biodiversity. Public consultations were conducted with local communities, government authorities and nongovernment organizations and their feedback was considered in the project design. Environmental Clearance from the Central Environment Authority (CEA) was obtained and provisions in the clearance were incorporated in the EMP and environmental monitoring program. Public concerns were identified in the EIA, and mitigation measures were incorporated into the EMP. Grievance Redress Mechanism was established and the project will ensure that the members of the Grievance Redress Committee, the PMCIU and contractors are provided with trainings to address project-related grievances. The PMCIU has dedicated staff for monitoring environmental issues and implementing the EMP. The PMCIU will retain independent advisory experts to monitor the implementation of the project's EMP in compliance with ADB Safeguard Policy Statement, 2009 (SPS) and the CEA policy.</p> <p>The NWSDB has implemented several ADB projects and has adequate institutional capacity and experience to manage safeguard risks. The EMP will be incorporated into civil works contracts, giving contractors the primary responsibility for implementation. The NWSDB will provide environmental monitoring reports to ADB quarterly during construction works and semi-annually during operation. A corrective action plan will be prepared and implemented for any non-compliance issues. The contractors and NWSDB will adhere to the SPS and national environmental regulations. In the event of any unanticipated environmental impacts during project implementation, the NWSDB will address it by updating the EIA and revising the EMP, which will be disclosed on the ADB website.</p>
Involuntary Resettlement	<p>The project is classified as category B for involuntary resettlement. It does not involve any land acquisition, physical or economic displacement and/ or loss of assets for private individuals. All works will be undertaken on public lands or existing rights of way. The project will not have any significant impacts on the fishing activities in this area. The PMCIU will undertake continuous monitoring and in case of any unanticipated livelihood impacts, particularly on local fishermen during the laying of the intake and outfall pipes in the sea for the desalination plant, the resettlement plan will provide remedial actions to be undertaken. The project impacted area in the sea (where intake and outfall pipes will be laid) is only used by fishermen as a transit passage with no fishing operations. The environment management plan (EMP) contains provisions to ensure contractor provides requisite clear passage for the fishing boats during the pipe laying in the sea. The PMCIU conducted 31 public consultations with stakeholders including fishing communities in the project area. More consultations are planned as per the Community Action and Participation Plan, which will be overseen by the PMCIU's sociologist. Resource has been allocated from the current project to improve infrastructure and living conditions of the local fishermen, including livelihood development, water supply and toilets for the poor, as well as the construction of local roads. PMCIU has dedicated staff for monitoring social and resettlement issues and will submit social safeguards monitoring report to ADB for review and disclosure on a semi-annual basis.</p>
Indigenous Peoples	<p>The overall project is categorized as C for Indigenous People.</p>

Stakeholder Communication, Participation, and Consultation

During Project Design	Stakeholder participation and Consultation through workshops, community mobilization, and consultation will be conducted for discussion on the potential water sources and feasibility of desalination plant.
During Project Implementation	Stakeholder participation and consultation through workshops, community mobilization, and consultation will be conducted for discussion on the potential water sources and feasibility of desalination plant.

Business Opportunities

Consulting Services	Recruitment of project management consultants (including social safeguard specialists to conduct social impact assessment).
Procurement	A build-operate procurement modality will be used to commission the desalination plant.

Responsible ADB Officer	Huang, Jingmin
Responsible ADB Department	South Asia Department
Responsible ADB Division	Urban Development and Water Division, SARD

Executing Agencies

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Timetable

Concept Clearance	11 Mar 2016
Fact Finding	19 Jun 2017 to 23 Jun 2017
MRM	02 Aug 2017
Approval	28 Nov 2017
Last Review Mission	-
Last PDS Update	28 Nov 2017

Project Page	https://www.adb.org/projects/37378-014/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=37378-014
Date Generated	30 November 2017

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