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International Disaster Specialists

ASSESSMENT REPORT:

ESTIMATED DAMAGES IN THE HOUSING SECTOR  
CAUSED BY CIVIL DISTURBANCES, SRI LANKA 1983-1987,

AND

SUGGESTED RECONSTRUCTION STRATEGIES

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October 1987

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ESTIMATED DAMAGES IN THE HOUSING SECTOR  
CAUSED BY CIVIL DISTURBANCES, SRI LANKA 1983 - 1987,  
AND SUGGESTED RECONSTRUCTION STRATEGIES

INTRODUCTION

It would be difficult for an outsider who has not seen the war zone to imagine the levels of destruction that resulted from the conflict. The impression left by press reports throughout the period was that the violence was scattered and was limited to isolated guerrilla attacks on government installations, busses and bridges. However, such impressions are far from the reality of what has been a vicious, intense and highly destructive conflict.

The human toll is tragic. An estimated 7,000 lives have been lost and thousands more have been wounded. Almost 100,000 families have lost their homes; with an average of 5 people per family, this translates to 500,000 homeless people. Of these, as many as 200,000 people have fled for safety to other parts of the country and another 200,000 have fled the country as refugees. In other words, over 20% of the people are homeless and about 10% have been forced into the numbing existence of refugee camps.

The north and east have suffered the greatest disruptions. Fighting there has been heavy and very destructive. Many workplaces have been destroyed or damaged, and thousands of others closed to protect their assets and their employees' lives. Not only have commercial areas been affected, but fighting has been widespread in rural areas as well; thousands of farmers have been forced to leave their lands and, in some areas, the irrigation systems upon which they are so dependent have been blown up.

Fishermen, suspected of smuggling arms, were special targets. Their boats were sunk or destroyed on land, and their villages were often singled out for retaliatory attacks. In some areas, whole fishing villages have been destroyed.

Schools were bombed and many forced to close -- the impact on children who may never return to school will surely be felt in the future. Hospitals and clinics were also bombed and, while medical services have continued, they have operated under great hardship for both staff and patients. Some public health services have faltered, immunizations particularly, and the result is that many children have become susceptible to diseases from which they are usually protected. A polio epidemic has been detected; under normal circumstances all the children in the area would have received their preventive vaccine.

It is the physical damages that tell the story. Most of the country is flat paddy land. The need to devote as much land as possible to cultivation dictates that many people live along the edges of the roads, and it

was along the roads that much of the fighting was focused. To control an area, one had to control the access to it. For the insurgents, this meant blowing up bridges and culverts, mining roads at key intersections, sinking ferries, and forcing traffic, especially government patrols, into narrow, restricted areas where they could be fired upon from captured houses. The government response was to establish camps along the roads by occupying any installation large enough to use as a base: schools, cooperative buildings, hospitals, large industrial complexes, etc. In order to deny the government the use of these installations, the guerrillas attempted to destroy them before they could be occupied. A measure of their success is that in some areas there are miles of road where no government or semi-government installation is left standing. To keep the houses along the roads or near the army's camps from being used for ambushes, the army simply razed the houses. In many cases, the housing was not only knocked down, but the debris was physically removed to keep the rubble from being piled up and used as a revetment by the rebels. (In Jaffna district, the rebels responded by stealing the railway sleepers [railroad ties].)

The ratio of houses destroyed to those damaged is another good indicator of the destruction. In most conflicts, the ratio is about 1-to-4; in Sri Lanka the ratio is 1.5-to-1, i.e., more buildings have been completely destroyed than just damaged.

As always, the human impact is the most difficult to evaluate. Thousands have lost relatives, and many heads-of-household have been killed. Many victims have experienced multiple physical losses: homes, jobs, tools and, in some cases, lands -- losses that not only represent lost income but, in a very real sense, lost opportunities. It will be the task of the reconstruction program to help reduce these losses as much as possible and to alleviate the burden on all the people, but especially the poor, so that the people and the country can resume progress toward full development.



## ASSESSMENT OF DAMAGES TO THE HOUSING SECTOR

AND

## RECOMMENDED RECONSTRUCTION STRATEGIES

### I. OVERALL ASSESSMENT

Housing is the most extensively damaged sector in the north and east. It may account for more than half the total value of all physical losses. There are extensive damages in both urban and rural communities. All classes of housing have been destroyed, ranging from temporary wood pole and cadjan shelters up through high-cost, two-story cement block and brick buildings.

Although numerically the Tamil Hindus have experienced the most damage, followed by Tamil Muslims, all ethnic groups have suffered losses and displacements. Approximately one-third of all victims who lost their housing were forced to seek shelter more than 10 kms. from their previous homes, with more than 150,000 seeking shelter in displaced persons camps and 125,000 fleeing the country for asylum in India.

The heaviest losses were borne by low- and low-to-moderate-income families. Rural farm families and fishermen make up over 70% of the total number of families displaced, according to the voluntary agencies providing assistance. Over 40% of the displaced had no fixed incomes or farmland to which they claimed even custom title (or work rights).

Damages to housing were a result of explosions (aerial bombs, mortars, RPGs and ground detonations); fire, predominately as a result of rioting; and mechanical razing by bulldozers, tractors or trucks. The ratio of destroyed, non-repairable structures to repairable buildings is approximately 1.5 to 1. By comparison, the ratio in Beirut in 1982 was 1:5, in El Salvador 1:9; after a major earthquake, a typical ratio is 1:4. In part this is due to the low quality of rural structures and the difficulty of repairing some of the wall types (e.g., wattle-and-daub) without totally rebuilding them; but overall it is a reflection of the viciousness and intensity of the conflict. In numerous villages, 100% of the structures were destroyed beyond repair. Furthermore, in the majority of cases, after a house was destroyed all salvagable or reusable materials such as roof sheeting, tiles, wood roof beams, doors and window frames, and fittings were looted or destroyed. In many cases, the only reusable components of the previous house are the cement floor and a portion of the bricks. In comparison, earthquake survivors can usually begin reconstruction with 30-40% of the materials and costs reclaimed from their previous house. In this case, it may be as little as 10% or less.

The groups most affected in terms of numbers are:

- rural farm families;
- rural laborers;
- fishermen;
- urban low-income families (especially those living in encroachments);
- families living in towns in structures that were both shops and residences.

Housing in the area can be classified as temporary, semi-permanent, and permanent. The principal construction types are:

- Temporary
  - wood pole and cadjan mats
  - wood pole and thatch
  - wood pole, plywood, and corrugated iron (CI) sheets
- Semi-Permanent
  - wattle-and-daub
  - mud brick (with cadjan, tile, or CI sheet roof)
- Permanent
  - fired clay brick or cement block with concrete or asbestos cement sheets for the roof

Damages appear to be in rough proportion to the types of structures that existed in the area prior to the violence, or as follows:

- Temporary
  - 30% (occupied by the lowest income groups)
- Semi-Permanent
  - 40% (occupied by low- and low-to-moderate-income families)
- Permanent
  - 30% (occupied by moderate and upper-income families)

Persons who reside in houses classified as temporary have no formal legal or custom title to their land. Only about half of those in houses classified as semi-permanent have any recognized form of tenure. This means that loans, which require land ownership or long-term tenure, will not be available for half the families unless special provisions are made to provide alternative forms of tenure.

Average costs of houses prior to the conflict were:

- Temporary
  - 3-12,000 rupees
- Semi-Permanent
  - 15-30,000 rupees
- Permanent
  - 35,000+ rupees

Based on previous disaster reconstruction experience, prices for each category of house can be expected to rise by the following percentages:

Temporary	--	10-15% (due to increased cost of roof sheets)
Semi-Permanent	--	20-30% (due to increased cost of roofing, labor)
Permanent	--	30-50% (due to increased cost of building materials, competition in labor markets for skilled workers)

(Note: The lower percentage of increase to temporary and semi-permanent housing is due to the fact that most materials are indigenous to the area and most components can be self-made.)

The average cost of repairing each class of structure is difficult to estimate. The material combinations and methods of construction of the temporary and semi-permanent housing are such that repairs are often more costly and time-consuming than total reconstruction. Likewise, indigenous materials exposed in a damaged building without a complete roof quickly deteriorate beyond a point where they can be economically or safely repaired. Thus, for planning purposes, the only types of repair that should be calculated are for houses made of cement block or brick. The range of repair costs is likely to be 50-60% of the total cost since roofs and fittings will be the most expensive components to replace. Repair costs, by building type, are estimated to be:

Cement block structures:	600 rupees per square meter of damaged area
Brick structures:	260 rupees per square meter of damaged area

Government officers surveying damages have asked families to estimate their own repair costs. The average cost of repairs, reported by the Government Task Force, is approximately 17,000 rupees; the total cost is estimated to be 607,750,920 rupees. The housing advisor to the Assessment Team estimates that the figure may be low by a factor of 30% since damages are often not visible until repairs are actually started (especially in masonry buildings which develop base shears when explosions occur in or adjacent to a wall).

Table 1 summarizes the author's estimates of damages, losses, and replacement costs. These losses are higher than initial government reports for the following reasons:

- A. In many cases, government estimates did not include losses to temporary housing that were destroyed 3-4 years ago; the structural remains would have long since deteriorated or been cleared away. Since the original occupants were displaced, an enumeration by visual survey would not have noted the loss.



Table I

## ESTIMATED DAMAGES IN THE HOUSING SECTOR

<u>District</u>	<u># Houses Damaged</u>	<u># Houses Destroyed</u>	<u>Replacement Cost</u>
Ampara	1,100	1,200	Rs69 mil. (\$2.3)
Batticaloa	1,100	6,500	228 mil. ( 7.6)
Jaffna	20,000	27,000	1410 mil. (47.0)
Kilinochchi	1,500	1,800	69 mil. ( 2.3)
Mannar	1,000	1,600	78 mil. ( 2.6)
Mullaittivu	2,000	700	81 mil. ( 2.7)
Trincomalee	1,000	22,000	690 mil. (23.0)
Vavuniya	500	7,500	240 mil. ( 8.0)
SUB-TOTAL (N&E)	28,200	68,300	2865 mil. (95.5)
All Other Areas	1,800	1,100	105 mil. ( 3.5)
TOTAL	30,000	69,400	2970 mil. (99.0)

Table II

## ESTIMATED SUPPORT COSTS FOR HOUSING RECONSTRUCTION

<u>District</u>	<u>Total Caseload</u>	<u>Replacement Cost</u>
Ampara	2,300	Rs. 51.0 mil. (\$1.7)
Batticaloa	7,600	168.7 mil. ( 5.6)
Jaffna	47,000	1043.4 mil. (34.7)
Kilinochchi	2,300	51.0 mil. ( 1.7)
Mannar	2,600	57.7 mil. ( 1.9)
Mullaittivu	2,000	59.9 mil. ( 2.0)
Trincomalee	23,000	510.6 mil. (17.2)
Vavuniya	8,000	177.6 mil. ( 5.9)
SUB-TOTAL (N&E)	94,800	2119.9 mil. (70.7)
All Other Areas	2,900	77.7 mil. ( 2.6)

- B. In many cases, more than one family resided in a single structure or on a single site. In reconstruction, it is likely that one dwelling for each family will have to be considered.
- C. Not all surveys had been completed at the time the original report of the Task Force was prepared.

The human impact of these losses is severe. The majority of the victims, as always, are the poor. Not only have their losses been nearly total, they have the least access to replacement resources. Few have regular incomes, few have more than custom tenure to land, and many have suffered multiple losses. For example, many fishermen lost not only their houses, but also their boats, motors and tackle. For the small group of upwardly-mobile low-income families who had qualified for agricultural, fishing or housing loans, they now have an existing debt that will have to be addressed. For the government, this group of multiply-affected victims must be reached quickly with equitable assistance -- yet due to its social and economic characteristics, it will be the most difficult group to reach.

## II. EXISTING PROGRAMS

The government, acting through the Government Agents (GAs), and a number of NGOs have been active throughout the conflict providing replacement housing. These programs provide a basis for reconstruction assistance. During the conflict, people rebuilding their homes were entitled to a 3000-rupee grant from the government. In many cases this was matched by 3000-3500 rupees more in cash or in kind. With technical assistance from the NGO, people then built a one-room, 25-square-meter structure of brick or block with a cement floor and a small verandah. Most roofs were made of cadjan, although many people chose to use tile or cement sheets. The design was such that the house could easily be expanded at a future date.

Since the signing of the peace accord, the government has agreed to provide displaced persons and refugees with a 1,000-rupee "settling in" allowance. (In rural areas, farmers are also eligible to receive agricultural supplies of a value up to 1,500 rupees in kind.) The voluntary agencies currently do not have the capacity to match the funding for all those requiring housing.

A number of new NGOs have indicated that they will initiate housing reconstruction programs. Most important of these is the Red Cross which has announced plans to build 3,000 houses in the north and east at a cost of 20-25,000 rupees each.

One government program that offers a good possibility for reaching large numbers of people who could qualify for a loan is the Million Houses Program. Initiated by the Prime Minister in 1984, the program has two principal sub-programs: one for urban and one for rural families. Under these, families may borrow up to 15,000 rupees (urban) and 7,500 rupees (rural) at subsidized rates of 9% and 6% respectively. Loans may be for a new house; repairs, upgrading or expansion; utilities; or sites and services. The program is administered through the Thrift and Credit

Cooperative Society. (The program provided some loans in the affected area during the conflict, and the National Housing Development Authority reports that a high rate of return was maintained during the period.)

To qualify for a loan, people must have a title or permit for their land. Loan counsellors work with each family to determine the amount of the loan based on the client's ability to pay. The principal advantages of the scheme are that the loans determine the building technology and the technology becomes self-limiting so that people do not overborrow. The program could be used separately or in conjunction with the Ministry of Rehabilitation's reconstruction allowances.

### III. ISSUES IN HOUSING RECONSTRUCTION

A number of issues will surface quickly in relation to housing reconstruction. They are:

- A. Land Tenure: There will be many opportunities to help people acquire formal tenure. For example, the process of resettling people on crown land could be accelerated, as could the issuance of tenure permits to those already encroaching on crown lands.
- B. Cadastral Data: Many people's land tenure papers may have been destroyed or lost during the disturbances. Issuance of replacement papers and re-recording of property descriptions may be necessary, especially in new zones of the larger towns and cities. Support for cadastral surveys may be necessary to help people qualify for loans.
- C. Future Resettlement: The final form of government and regional devolution may precipitate localized migrations of ethnics moving from one area to another in order to keep from being in a numerical minority. A portion of reconstruction funds should be held back for this contingency.
- D. Combined Casework: Since many victims will have multiple needs, they will be eligible for assistance in more than one sector. To eliminate confusion and to reduce the need for clients to make multiple applications for assistance (as well as to reduce the potential for overborrowing or misuse of available assistance), a combined casework approach should be established.
- E. Timing: Experience has shown that the housing sector will be the last to recover fully. Low-to-moderate-income families, especially those with multiple losses, may take as long as 5-7 years to accumulate the resources necessary to rebuild. Therefore, planners should:
  1. consider measures which will help accelerate the pace of economic reconstruction.
  2. plan projects that will provide income-earning opportunities for low-income families, especially seasonal farm laborers.
  3. consider indirect measures to lower people's immediate costs of living.

4. provide sufficient reserves in housing loans so that money will be available several years from now when people are ready to participate.

F. Sequence of Activities: The sequence of reconstruction is likely to be as follows: First, the lowest income groups, who normally build houses of local materials, will rebuild. These people can best be assisted with grants and subsidized sales of building materials (through material "yards" or government stores).

Next, wealthier urban families will rebuild and repair. Along with urban commercial structures, this will set off a minor building and employment "boom".

Upper-middle-income families will begin about 4-6 months later. Initially it will be this group that will take advantage of loan or credit schemes.

Moderate-income families that can qualify for loans will follow the first group approximately 6-8 months later.

At the one-year mark, low-to-moderate-income families will commence building semi-permanent and permanent housing. How long this last group takes to complete their rehousing will depend on the availability of funds, the rate of inflation for building materials, and the other assistance provided in relation to their source of income (and how secure their jobs are perceived to be).

Housing reconstruction could be accelerated by:

1. subsidizing building material sales
2. increasing the housing grant
3. aiding the self-help reconstruction process, especially through small-scale community organizing
4. timing labor-intensive works projects to coincide with housing reconstruction cycles

G. NGO Competition: New NGOs are now offering to rebuild housing for the victims. Some are offering to follow the existing programs set up during the conflict, others want to use other approaches. To ensure that all victims are treated equitably, the government should establish uniform reconstruction standards and policies to guide all the agencies and should enforce strict compliance.

H. Use of Local Materials: Almost all the materials used in housing can be manufactured, produced or obtained locally. As part of the reconstruction policy, the government should stress that all houses built with government assistance should use locally-produced materials and components.

#### IV. RECONSTRUCTION STRATEGY

In carrying out the reconstruction program, it will be necessary to have a mix of programs in order to reach all of the different economic strata of the victims. For example, only a small group will qualify for loans; therefore, grants and subsidized sales of building materials will be needed to assist those who cannot obtain credit.

In order to reach the maximum number of people, the following program strategies should be considered:

- A. Integrated Sub-projects: Activities in each sector and each community should be planned so that they are complementary. For example, road repair actions that will employ large numbers of temporary laborers should be planned to coincide with the initiation of material sales for housing so that people will have ready cash for purchasing building supplies. It is recommended that authorities work with each village or neighborhood to develop integrated projects.
- B. Multiple-Objective Planning: It is important that all expenditures be planned to meet multiple objectives, to the greatest extent possible. For example, rubble clearance activities can be carried out by heavy machinery, but that will result only in clearing the debris. If the work is done by hand labor, not only will the debris be removed but people who need cash will receive it. With careful planning, almost all expenditures can have two or more benefits.
- C. Sequential Operations: Reconstruction programs, even more than normal development programs, are sensitive to sequential actions. Planners should recognize the normal phases of reconstruction programs and plan to commit resources when they are most appropriate and can best be utilized. In the housing sector, for example, it is best to focus on getting building materials into the community at low cost as the first priority, before building demands create inflation and parallel markets. This should be followed quickly by loan programs for middle- and moderate-income families (in order to create a labor market for low-income workers). Loans for lower-income groups should follow these since by then people will have had an opportunity to earn some money and to buy materials at a low price.
- D. Replacing Spent Capital: Reconstruction programs are noted for stripping communities of working capital. Since reconstruction needs may cut across many sectors, there is a danger that purchases and loan repayments can quickly deplete the available capital. Therefore, it is necessary to continually plan projects that will inject new sources of money into the affected communities. For example, if building materials are sold by the government, a portion of the reflow money should be used for labor-intensive, community-based projects so that the proceeds will go back to the victims.
- E. Uniform Reconstruction Policies: The government can expect a large group of NGOs to offer their assistance in reconstruction, especially

in the housing sector. Each of these agencies will have its own agenda, its own clientele, and its own way of doing things. Some will want to give houses away; others will want to subsidize; still others may offer loans. The issue facing the government will be equity, that is, ensuring that every affected family has equal access to reconstruction benefits. Diverse services and competition between NGOs can be very destructive and, in the end, the government will take the blame for any unequal services. Thus it is extremely important that the government set uniform reconstruction policies and standards and ensure that all NGOs conform to these norms. At a minimum, the following policies are recommended:

1. **Housing Grants:** All grants given by NGOs should be in the same amount or have equal material value. Currently, NGOs are providing a matching grant of approximately 3,500 rupees (or assistance in kind equivalent to that amount) to the government's own donation of 3,000 rupees. This seems reasonable and could be the basis for a uniform standard. (The government may wish to consider raising the allocation in urban areas to 4,500 rupees and asking NGOs to provide a matching 4,500 rupees.)
2. **Loans:** The most active and successful loan program for low-to-moderate-income families is the Million Houses Program with loans of 7,500 rupees for rural people (at 6%) and 15,000 rupees for urban families (at 9%). All loans offered by NGOs should conform to this standard.
3. **Material Subsidies:** The subsidy should be uniform for all sales of building materials. It is recommended that the subsidy rate be set at 50% of the purchase cost for critical items (wall and roof materials) and 25% for non-critical items (fittings, finishings, etc.).
4. **Policy on Housing Give-aways:** The gift of a free house should be restricted to those people who have been multiply affected and who are completely unable to rebuild a house for themselves. This group could include widows, abandoned women with dependent children, the elderly, handicapped, etc. The practice of an NGO "adopting" and rebuilding a model village should be prohibited.

#### V. RECOMMENDED APPROACH

The following program is recommended for reconstruction in the housing sector. It is based on the realization that the low-income group most in need will be the most difficult to reach and will have the least access to needed resources. It is based on an approach of targeting a combination of programs at each economic stratum in the affected community.



A. Planning Assumptions: Program recommendations are based on the following assumptions.

1. Average costs of replacement housing according to income strata are:

Group A: Low-income housing, rural areas -	10,000 rupees
Group B: Low-income housing, urban areas -	20,000 rupees
Group C: Moderate-income housing, rural areas -	20,000 rupees
Group D: Moderate-income housing, urban areas -	35,000 rupees
Group E: Upper-income housing (all areas) -	50,000 rupees

2. Number of families requiring assistance in each group:

Group A -	30,000
Group B -	20,000
Group C -	25,000
Group D -	15,000
Group E -	10,000

3. Estimated capital requirements for reconstruction are:

Group A -	300 million rupees (approx. 10 million dollars)
Group B -	400 million rupees (approx. 13.3 million dollars)
Group C -	500 million rupees (approx. 16.6 million dollars)
Group D -	525 million rupees (approx. 17.5 million dollars)
Group E -	500 million rupees (approx. 16.6 million dollars)

Total A-E 2.25 billion rupees (approx. 74 million dollars)

(Note: For planning purposes, all houses have been valued at total replacement cost; no adjustment has been made for repairable units.)

B. Program Components: It is recommended that housing reconstruction be assisted with four programs: grants-in-aid for persons who have lost their houses; sale of subsidized building materials; provision of low-interest loans for low-to-moderate-income families; and provision of long-term normal market interest loans for qualified moderate- and upper-income families. These programs would be supported by a series of projects in other sectors which would have money set aside for employment of low-income workers, enabling them to acquire needed capital in order to participate in the various housing programs.

1. Grants-in-Aid: The government's program of providing a cash allowance of 3,000 rupees to each family that lost a house should be continued and expanded. NGOs and bilateral donors should be encouraged to provide a matching grant for families in Groups A and B. Total capital required: Government contribution - 300 million rupees (10 million dollars); additional grant-in-aid support - 150 million rupees (5 million dollars). In order to meet their share of the program, NGOs would need 175 million rupees or 5.83 million dollars.

2. Sales of Subsidized Materials: Families in Groups A - D should have access to a limited amount of building materials at a subsidized price of approximately 50% of the normal market price. The amount of materials that any one family could purchase would be determined by the amount needed to construct a moderate one-room house of brick or cement block (approximately 25 square meters). The sales could be handled by the government at material "yards" set up in each community or they could be subcontracted to cooperatives. Proceeds of the sales would be used in two ways: the first tranche would be used to purchase more materials to sell; the second block of proceeds would be placed in a local community development fund. At an appropriate time during the first year, the community would select a labor-intensive project (or series of projects) that would benefit the community as a whole, and the funds would be used to complete these projects. Projects could include: road construction, school construction, day-care facilities, community buildings, religious facilities, etc., but should be projects not undertaken by government or other reconstruction activities. Capital requirements: 425 million rupees (approximately 14 million dollars), assuming 85,000 eligibles x 5,000 rupees, or half the cost of a rural brick house.
3. Low-interest Loans: The best way to reach the majority of low-to-moderate-income people who could qualify for low-interest loans will be to support the Million Houses Program or to open a window at the SMIB (State Mortgage Investment Bank) and provide a comparable loan program. While the amounts loaned may be considered comparatively small in relation to needs in the area, if the other components of the program suggested here are implemented (especially the grants-in-aid and the subsidized material sales), the overall amount that each family needs to borrow will be greatly reduced. The capital contribution for low-interest loans is approximately 300 million rupees (based on 40,000 potential applicants borrowing an average of 7,500 rupees each) or approximately 10 million dollars.
4. Normal-Market-Rate Loans: Approximately 10,000 families will qualify for loans at normal market rates. The amount they may want to borrow may be as high as 700 million rupees (23 million dollars). This could be provided through a special reconstruction window at the SMIB or through normal commercial banks. Since there should be a high recovery rate which can be reloaned throughout the reconstruction period, only about half the total amount must be provided through external funding, or 375 million rupees (11.5 million dollars).

An additional class of loan that should be handled through the commercial banks or the reconstruction window is loans to people who will rebuild structures that function as both a house and a shop. Since part of the loan will be for housing, the government may wish to consider subsidizing a portion of the loan, carrying it with a ballooning interest rate, or figuring the interest at two parallel rates. Approximately 3,500 families require this type of assistance, at an average replacement cost of 50,000 rupees each or 175 million rupees (5.8 million dollars).

5. Other Housing Sector Projects: In support of reconstruction activities, the government should plan to carry out a series of projects to help provide cash and material resources in the affected communities. These projects could include:
- a) brick and cement block-making enterprises;
  - b) production of cement roofing sheets;
  - c) tile-making;
  - d) establishment of carpentry enterprises to build doors and windows, other wood fittings, etc.;
  - e) cadjan mat production (particularly for employment of women);
  - f) establishment of salvage groups to reclaim materials from the rubble for low-cost sale to low-income families.

The government could support these activities by providing low-interest loans to local cooperative societies and private enterprises for facilities, equipment and supplies. It should be a matter of policy for the government to support these activities by purchasing government supplies through these new businesses whenever possible. Approximately 75 million rupees (2.5 million dollars) should be allocated for loans in this sector. Loans should be at about half the market rate.

The Ministry of Local Government, Housing & Construction launched a program for training people in the construction trades. An IDA loan of 12.5 million dollars was obtained in 1982 to establish the program. One sub-project of the program is training of rural villagers in masonry and carpentry skills for participation in the Million Houses Program. This project should be reviewed to determine whether it could be expanded for the reconstruction program. Other options for using this program include: expansion of the artisan training activities; adding a new division to teach building materials production skills and methods; and training small contractors in how to manage their operations more efficiently. It is possible that 30 million rupees (one million dollars) could be added to this program for operations in the affected areas.

- C. Cost/Finance Implications: With this approach, each income group would receive the following package of assistance:

Group A: 3,000-rupee grant from government; possibly 3,500 rupees from a NGO; all building materials needed for their house at half-price. Total initial cash outlay needed by family: 0.

Group B: 3,000-rupee grant from government; possibly 3,500 rupees from a NGO; all building materials needed for their house at half-price. Total initial cash outlay needed by family: 7000 rupees.

Group C: 3,000-rupee grant from government; possibly 3,500 rupees from a NGO; half the building materials needed for their house at half-price; access to low-interest loan to finance balance needed for reconstruction of house. Total initial cash outlay needed by family: 0.

Group D: 3,000-rupee grant from government; possibly 3,500 rupees from a NGO; half the building materials needed for their house at half-price; access to low-interest loan that will cover balance of cash needed. Total initial cash outlay needed by family: 7000 rupees.

Group E: 3,000-rupee grant from government; 20% of the building materials needed for their house at half-price; access to long-term loan. Average immediate outlay: 10,000 rupees.

With this approach, the benefits are maximized, the initial investment is substantially reduced, and money flowing into the community is continuously recirculated. Most important, the program reaches those most in need quickly and efficiently.

D. Political Advantages: Because the program can move quickly, victims of the conflict will be able to realize benefits quickly, thereby reducing frustration and discord. Material sales can start immediately, as can the grants-in-aid. Loan programs, if operated through the Million Houses Program, can also start very quickly. The only new mechanisms required are the loans at the SMIB for upper-income families and people living in combined store/home structures.

E. Advantages of the Approach: This approach:

1. keeps the government and reconstruction authorities free from dealing with land issues (since grants and sales leave the issue untouched);
2. meets immediate needs of the largest segment quickly;
3. can be run by the government under the present administrative arrangement, but can easily be switched later to a more localized administration, i.e., there is not a large bureaucracy to transfer or reorganize.

## VI. IMPLEMENTATION

- A. Administration: The following groups could be given initial responsibility for carrying out the program:
1. Grants-in-aid disbursements: GAs with donations channeled through the Ministry of Rehabilitation; matching grants from the NGOs acting with their own funds or those provided by bilateral donors.
  2. Material sales: Sales at yards established by the GAs or DAs (District Administrators) or, alternatively, sales contracted to cooperatives in each community. If co-ops handle the program, they should be allowed to keep a small percentage for their operating costs.
  3. Low-interest loans: Loans would be made by the Credit and Thrift Co-ops under the normal mechanisms. Alternatively, loans could be administered by the SMIB.
  4. Conventional loans: These would be administered through a reconstruction window set up by the SMIB.
- B. Government Capacity to Administer the Program: This program is well within the capacity of the government to operate and manage. Most of the activities are straightforward, simple, and should not require large numbers of new staff. The loan component builds on an existing successful program administered by long-established co-ops and the only new program -- the normal rate loans -- would be handled by an established bank with experience in loaning to this clientele.
- C. Technical Assistance: The housing reconstruction component should require only minimal technical assistance. The material sales and reflow component is a well-established approach and manuals are available (notably from USAID). Likewise there are several well-known consultants and several international NGOs who have experience in this type of program.
- D. Employment Aspects: Despite the large investment required in reconstruction of housing, the actual number of new jobs created will be relatively small. Most people build their own houses or rely on local masons and carpenters who would be able to take care of the demands for smaller houses produced for Groups A and B, as well as a large percentage of housing for Groups C and D. There will be some new employment opportunities created by reconstruction of housing for Group E and the upper end of Group D, but most employment in the construction sector is likely to come from reconstruction of commercial buildings.

Reconstruction will require production of a large quantity of building materials, especially block and brick, and these activities can employ a fairly large number of people for a period of about 3 years.

The total number of new jobs created by housing construction can be estimated on the basis of permanent buildings under construction: about 1 permanent job per 30 houses; about 1 temporary job per 20 houses; 1 part-time job per 10 houses. Based on these ratios, the jobs that are likely to be created are:

Permanent: 583 (18%)  
Temporary: 875 (27%)  
Part-time: 1750 (55%)

The total amount of new (additional) income generated per year is estimated to be:

1. Master Builders (assuming 1 per 10 workers):  
 $320 \times \text{Rs. } 100 \text{ per day} \times 312 \text{ work days} = \text{Rs. } 9,984,000$
2. Skilled carpenters and masons (assuming 4 per 10 workers):  
 $1280 \times \text{Rs. } 75 \text{ per day} \times 312 \text{ work days} = \text{Rs. } 29,952,000$
3. Laborers (assuming 5 per 10 workers):  
 $1600 \times \text{Rs. } 50 \times 156 \text{ work days} = \text{Rs. } 12,480,000$

The total yearly estimate: Rs. 52,416,000 (\$1,747,200)

Total peak reconstruction estimate (3 years): Rs. 157,248,000  
(\$5,241,000)



## ASSESSMENT OF DAMAGES IN THE COMMERCIAL SECTOR

AND

## RECOMMENDATIONS FOR RECONSTRUCTION

### I. OVERALL ASSESSMENT

Commercial structures of all classes received extensive damage throughout the north and east. Damages to these structures may account for 20% of the total value of all physical losses. There are extensive damages in both urban and rural communities. While all sizes of buildings have been destroyed, the group most affected are moderate-sized shops in the urban areas and in smaller trading centers along the main roads.

Although many of the smaller micro-enterprises affected by the fighting were able to stay in business by simply moving out of harm's way, most of the moderate and larger commercial businesses which lost their place of business were put out of service for the duration of the conflict. Approximately one-third of the owners of businesses out of service reported that they had no income after their business premises were destroyed.

Many of those who lost their premises were renters of the structures (approximately 60%). For this group, the place of business will be an important factor in determining their reconstruction options since many were service enterprises. Among the rental properties, approximately one-half were owned by landlords who owned and rented more than one property. Since it will be difficult to provide loans for multiple reconstructions, the relatively low ratio of multiply-owned buildings is a positive factor in commercial reconstruction.

Damages to commercial buildings were due to fire (as a result of rioting and looting) and explosions from aerial bombs, mortars, RPGs and ground detonations. In the larger towns and cities, many commercial "districts" were attacked by mobs or by engaged forces and the level of destruction is quite high, in some cases 75%. In some of the smaller villages, 100% of the commercial structures have been destroyed. For these smaller towns and villages, the economic centers of the community have been affected and it is very important to ensure that they get back in operation as soon as possible to support the economic structure of the villages. Studies of earthquake-damaged communities point to the seriousness of this revitalization; in communities in Guatemala that lost their economic centers, out-migration to the larger cities and the capital amounted to a 25% shift in the population in a two-year period.

Commercial enterprises in the area can be classified as micro-enterprises, small businesses and large businesses. (Commercial esta-

blishments such as banks, cooperatives and semi-public enterprises are not considered in this section.) Distribution was as follows:

Micro-enterprises - 40%  
Small businesses - 55%  
Large businesses - 5%

Micro-enterprises occupied temporary and semi-permanent buildings, while the small and larger businesses occupied buildings made of permanent materials. It is the permanent buildings that will be of most concern in the reconstruction program.

The vast majority of damaged commercial structures were one-room buildings. Many were attached to others or were subdivisions of larger commercial strip or row structures that shared common walls. Thus when one store was attacked, damages easily spread to the adjoining store.

Buildings can be classified according to the approximate size and number of rooms.

Class A buildings: 100+ square meters  
Class B buildings: 50-100 square meters  
Class C buildings: 25-50 square meters

The cost range for permanent buildings prior to the conflict was:

Class A: 100,000+ Rupees  
Class B: 51-100,000 Rupees  
Class C: 25-50,000 Rupees

The average cost of replacing each class of structure is difficult to estimate. Most owners will want to replace their structure with a slightly larger building and to use the best materials they can afford. For planning purposes, it would be best to calculate the costs based on an average per-square-meter cost in block or brick. The per-unit costs, by building type, are estimated to be:

Cement block structures: Rs. 1,500 per square meter  
Brick structures: Rs. 1,200 per square meter of damaged area

Government officers surveying damages have asked the property owners to estimate their replacement costs. The average cost of repairs, reported by the Government Task Force, is approximately Rs. 70,000; the total cost is estimated to be Rs. 576 million. On one hand, these estimates may be low since they do not account for inflation; on the other hand, they may be inflated since people may be figuring on the cost of an expanded building.

The average cost of repairing each class of structure is also difficult to estimate. The material combinations and construction methods of the older buildings are such that repairs are often more costly and time-consuming than total reconstruction. In the case of buildings that are attached or in strip developments, it may be possible for some cost

sharing but, overall, it will be best to calculate the total repair costs on the cost of rehabing each structure separately. Costs can be calculated on the per-square-meter costs for structures made of block or brick. Repair costs, by building type, are estimated to be:

Cement block structures: Rs. 1,800 per square meter  
Brick structures: Rs. 1,500 per square meter of damaged area

Government officers surveying damages have asked owners to estimate their repair costs. The average cost of repairs, reported by the Government Task Force, is approximately 36,000 rupees; the total cost is estimated to be Rs. 111.1 million.

It is important to remember that these losses are only to structures -- the shops and businesses have also lost inventories, equipment, tools and value-added commodities. In some cases, the structural loss will be far less than other cumulative losses.

The economic impact of these losses on the micro level is relatively severe. Each damaged structure represents cash flow that is curtailed and, as long as the buildings are not replaced, the businesses in most cases are not operating. For small communities, this can have an impact beyond the loss of economic opportunity for the owner of the enterprise; it also means that the people in the community must devote time and money to going elsewhere for their goods and services.

It is important for the government to find ways to assist the small businesses to re-start as soon as possible. The housing and job needs of the overall community will necessarily be the top priority but, without funding for building reconstruction (which will create more new jobs than housing reconstruction) and revitalization of the small business sector, complete reconstruction cannot be achieved. Disaster studies have indicated that approximately one-third of all small businesses go out of business as a result of disasters and an inability to recover from both the direct losses and the time out of service. While other enterprises are usually formed to replace them, they generally represent a shift of ownership to the hands of wealthier people in the community. Such a concentration of resources is not only unjust; it also has a potential political cost.

## II. EXISTING PROGRAMS

At the present time, there are no plans to aid this sector. A number of NGOs have indicated that they may initiate programs for special target groups (elderly, handicapped, former combatants, etc.), but no firm plans have been announced and most of the activities are expected to be on the micro-enterprise end of the spectrum.

### III. ISSUES IN COMMERCIAL RECONSTRUCTION

A number of issues will surface quickly in relation to commercial reconstruction. They are:

- A. Competition for Funds: Commercial reconstruction is often viewed as competing for social reconstruction funds (i.e., housing, agriculture, etc.). It should be recognized, however, that it is extremely important to reach small and moderate businesses with funds in order to keep them from going out of business and to help revitalize rural service centers.
- B. Multiple Needs: Many owners of affected businesses will also have lost houses and other personal property. Since they may have to borrow money for other needs, it may be necessary to make special adjustments on a case-by-case basis so that families will not be forced into debts they cannot reasonably be expected to repay.
- C. Combined Casework: Since many victims will have multiple needs, they will be eligible for assistance in more than one sector. To eliminate confusion and reduce the need to make multiple applications for assistance (as well as to reduce the potential for over-borrowing or misuse of the available assistance), a combined casework approach should be established.
- D. Timing: Experience has shown that the small commercial sector will be slow to recover fully unless funds are specifically targeted for this sector. It is especially important to make low-interest loans to Class B and C businesses. These groups may take as long as 5-7 years to recover fully. Therefore, planners should:
  1. consider measures which will help accelerate the pace of economic reconstruction;
  2. plan to provide assistance that will help businesses not only replace their buildings but also recover some of their inventories;
  3. provide sufficient cash in the near term so that marginal businesses can survive;
  4. provide enough money in the near term to create a "building boom" to provide jobs for other conflict victims.

Reconstruction could be accelerated by:

- subsidizing building material sales;
- providing a cash grant for partial replacement of inventories or tools and equipment;
- providing small short-term loans for replacing inventories and fixed equipment;

- adopting a policy that, to the greatest extent possible, procurement of reconstruction materials and supplies will be accomplished through local suppliers to help rejuvenate their businesses.

#### IV. RECONSTRUCTION STRATEGY

In carrying out the reconstruction program, it will be necessary to have a mix of programs in order to reach all of the different classes of business. For example, only small and large businesses will qualify for loans, and those only for buildings and fixed equipment. Therefore, some grants and other forms of assistance will be needed to assist those who cannot obtain credit.

In order to reach the maximum number of businesses, the following program strategies should be considered:

- A. Building Grants: A small grant of 10,000 rupees should be given to owner-occupants of small Class C businesses that were destroyed or damaged in the conflict. (NGOs should be encouraged to give a matching grant of approximately 3,500 rupees or assistance in kind equivalent to that amount wherever possible.)
- B. Low-interest Building Loans: A loan of up to 50,000 rupees should be made to owners of Class B and C businesses. The interest rate should be 9-12%.
- C. General Building Loans: Reconstruction loans for owners of Class A and B businesses at normal or near-normal interest rates should be made for reconstruction of larger buildings and for replacing equipment, tools, etc.
- D. Material Subsidies: Current plans propose the sale of building materials on a subsidized basis for reconstruction of housing. Owners of Class C businesses would also be eligible to purchase building materials at the special rate.
- E. Grant for Inventory Replacement: A cash grant of 3000 rupees should be given to owners of Class C businesses and to proprietors of micro-enterprises to help them re-establish their inventories.

#### V. COSTS

- A. Planning Assumptions: Program recommendations are based on the following assumptions:
  - 1. Average costs of replacement buildings according to building class are:
    - Class A - Rs. 200,000
    - Class B - Rs. 75,000
    - Class C - Rs. 40,000

2. Estimated number of businesses requiring assistance in each group:

Class A - 575  
Class B - 6,320  
Class C - 4,600

3. Estimated capital requirements for reconstruction of buildings:

Class A - 115 million rupees (approx. 3.8 million dollars)  
Class B - 474 million rupees (approx. 15.8 million dollars)  
Class C - 184 million rupees (approx. 6.1 million dollars)

Total A-C: 773 million rupees (approx. 25.7 million dollars)

(Note: For planning purposes, all buildings have been valued at total replacement cost; no adjustment has been made for repairable units.)

4. Estimated number of buildings eligible for assistance:

Class A - 345 (60%)  
Class B - 2,530 (40%)  
Class C - 2,300 (50%)

B. Cost of Program Components: Reconstruction assistance will include:

1. Building Grants: 10,000-rupee grant for all owner-occupants of Class C businesses destroyed or damaged: Rs.23 million (\$7.6 million).
2. Low-Interest Building Loans: maximum 50,000 rupees for Class B and C businesses. Average loan would be Rs. 35,000. Total cost: Rs. 915 million (\$30.5 million).
3. Normal-Interest-Rate Building Loans: reconstruction loans for Class A and B businesses. Estimated average loan: Rs.100,000. Total allocation: Rs.300 million (\$10 million).
4. Material Subsidies: Material sales for owners of Class C businesses: Total amount to be subsidized: Rs.142.6 million (4.7 million dollars).
5. Grant for Inventory Replacement: 3000 rupees to owners of Class C businesses and micro-enterprises. Estimated number of grants: 4,600. Total cost: Rs.13.8 (\$460 thousand).

C. Cost/Finance Implications: With this approach, each class of business would receive the following packages of assistance:

Class A: Long-term loan (no maximum).

Class B: Long-term, low-interest loans for some qualified borrowers; normal loans for others.



Class C: Rs.3,000 grant from government, possibly matched by a NGO; half the building materials needed for their building at half-price; access to a low-interest loan to finance balance needed for reconstruction of building.

Micro-enterprises would receive a Rs. 3,000 grant from government, possibly matched by a NGO, and all the building materials needed for their building at half-price.

With this approach, the benefits are maximized and the program reaches those most in need quickly and efficiently, thereby reducing frustration and discord. Material sales can start immediately, as can the grants-in-aid. Loan programs may take some time but, with the other assistance available, some degree of economic reconstruction can start quickly.

The total cost of the program is estimated to be: Rs. 1.4 billion (\$46.5 million).

## VI. IMPLEMENTATION

- A. Administration: The following groups could be given initial responsibility for carrying out the program:
1. Grants-in-aid disbursements: GAs, with donations channeled through the Ministry of Rehabilitation. Matching grants from the NGOs acting with their own funds or those provided by bilateral donors.
  2. Material sales: Sales at yards established to support housing reconstruction activities. These would be administered by the GAs or DAs or, alternatively, sales could be contracted to co-operatives in each community.
  3. Low-interest loans: Loans would be made through a reconstruction window set up by the SMIB.
  4. Conventional loans: These would be administered through the commercial banks.
- B. Government Capacity to Administer the Program: This program is well within the government's capacity to operate and manage. Most of the activities are straightforward and simple, and should not require large numbers of new staff. Portions of the program would borrow from the programs set up for housing reconstruction; others would build on the experience of the government in supporting refugees and displaced persons.
- C. Technical Assistance: The commercial reconstruction component should require only minimal technical assistance. Technical assistance for the construction and material sales components would be covered in the housing reconstruction program support. Loan programs are well within the capabilities of existing institutions to manage.

## COMPETING DEMANDS FOR RECONSTRUCTION RESOURCES

A major concern in any reconstruction program is the availability of building materials and other resources on an equitable basis and at fair prices for all families, businesses and public enterprises in the affected areas, throughout the reconstruction process. In a situation with as much widespread devastation as the north and eastern districts of Sri Lanka, the progress of reconstruction will be affected as much by the price of building materials as by their availability and, of course, price will be determined by availability.

A. Materials that are likely to be in short supply are:

1. Bricks: Production of fired clay bricks is common throughout the north and east. Producers include small cottage enterprises that make supplies for local villagers, larger cooperative brickmaking kilns, and a few large-scale companies that produce good commercial quality bricks. Many of the larger operations were affected by the fighting and, even if they resume operation soon, they will be hampered by a shortage of transport and fuel (coal is delivered by lorry). Although the smaller cottage industries will be able to produce some bricks, shortages will appear primarily in the rural areas; demands from urban areas will cause a price rise and the bricks produced at small kilns will flow to the cities.
2. Cement blocks: Cement blocks are mostly produced by small cottage industries. Production may be affected by availability of both sand and cement, as well as the cost to transport them, since many of the lorries in the region have been lost in the fighting.
3. Cement: Cement is produced at a large cement plant in Jaffna but, during the conflict, cement production was curtailed. Large supplies of cement will be needed for repair and rehabilitation of industrial facilities, commercial structures, private upper- and moderate-income residences, and for repair of many public works. It is estimated that 250 thousand tons of cement will be needed over a three-year period. This is equivalent to about a quarter of Sri Lanka's current production capacity.
4. Iron rebar: Demands for rebar for commercial and industrial reconstruction, as well as bridge and road reconstruction, may cause a short-term rise in price.
5. Gravel: Gravel is used in both road work and concrete production (although different grades). Gravel production and transport are both under capacity at present due to restraints on blasting and lack of transport.
6. Construction timber: Wood of all kinds is likely to be in short supply. Timber is scarce island-wide due to deforestation, and few timber resources exist in the north. The widespread damage

to roofs of all kinds will create a high demand for lumber. Unless supplies can be allocated quickly, prices are likely to be unreasonably high (and possibly beyond the reach of the rural poor).

7. Roof tiles: Roof tiles are normally produced by the same craftsmen who make bricks. The problems and shortages will be the same.
8. Cement roof sheets: Corrugated cement roof sheets are a popular type of roofing, especially for low-to-moderate-income families. They are not only an economic way of covering the roof but also require less, and lighter, wood than a tile roof. Some sheets are made in Sri Lanka, but many are imported. Shortages and corresponding price increases are likely to force many people to switch to tile to cover their roofs. Production of alternative types of sheets is not difficult and can be done as a cottage or cooperative venture. Since the material is popular and is likely to be in short demand, it should be possible to provide some start-up capital to small-scale entrepreneurs to increase production. Alternatives to using asbestos as the forming media should be stressed.
9. CI sheets: Corrugated iron (CI) sheets are less popular than cement sheets (since they absorb rather than deflect heat) but are nonetheless widely used since they provide a cheap means of covering houses. The sheets are produced from rolled steel which is imported, but final processing is done at a rolling mill in the country. Prices are not likely to climb at the production end, but transport costs and shortages may raise the final cost significantly.

B. Equipment likely to be in short supply includes:

1. Lorries: The lack of trucks of all types may be the single most important constraint on activities and costs in the construction sector. Most lorries in the area were commandeered and destroyed during the fighting or withdrawn from the zone of conflict. Initially, building materials transport vehicles such as tippers, large flat-bed lorries, and some tractor-trailor units (for timber and rebar) are likely to be dear.
2. Heavy construction equipment: Contractors will initially be unwilling to commit expensive, highly visible equipment to the area. This will slow some projects (e.g., road reconstruction) but should have only a short-term effect on the overall construction sector.

Skilled workers are also likely to be in great demand. Masons, carpenters, concrete workers, electricians, and heavy equipment operators will all be needed.

## CROSS-SECTORAL CONSIDERATIONS

### I. BACKGROUND

The ability of the reconstruction program to swiftly undertake and complete activities in one sector (i.e., housing) may be dependent on initiating or completing activities in another. For example, agricultural rehabilitation in some areas will be dependent on repair and rehabilitation of the area's irrigation systems. In these cases, actions in one area may influence the timing, sequence, cost, and possibly the priority of other actions. In other cases, actions in one sector may provide jobs which give people the opportunity to obtain the necessary capital to participate more fully in the various reconstruction programs. For example, labor-intensive road reconstruction programs can provide temporary jobs throughout the affected zone, enabling workers to earn money for rebuilding their homes.

### II. CROSS-SECTORAL LINKAGES

Recovery in the private sector (housing, agriculture, fishing, business and industry) will be closely linked to public sector activities. Likewise, in some cases full recovery of a public sector endeavor or enterprise will be dependent upon recovery in the private sector. These relationships are fairly easy to see. The following is a summary of the principal linkages between sectors.

- A. Housing: Construction of housing will be affected most by the availability of cash. Road construction activities, especially for rural roads, can provide much-needed temporary employment and inject needed capital into the smaller communities. Since road repairs are labor-intensive, can be undertaken in every community, and are the public sector activity likely to create the most temporary jobs, they should receive the highest priority of all public sector activities.

The cost of housing reconstruction will also be affected by the availability of building materials and their transport costs. Reestablishment of the rail system, and repair of roads and bridges, will all play a part in reducing overall costs to individual families.

Restoration of public buildings such as schools, hospitals, etc., will have a spin-off effect on housing reconstruction. Not only will a small number of jobs be created, but large-scale construction will also have an effect on building material availability and price. As a general rule, initiation of these works will cause a rise in material prices and in some local cases make some materials temporarily unavailable; however, in the larger communities this will have a negligible impact compared to reconstruction of the commercial zones. Therefore, in large communities, there are no special considerations but, in small communities, it may be wise to delay reconstruction of large buildings until local people have had an opportunity to buy the materials necessary for their own rebuilding.

- B. Agriculture: Agricultural rehabilitation will be most directly affected by rehabilitation of irrigation systems. In some areas, repairs will be mandatory in order for farmers to have any decent crop yield. Some repairs will provide wages for farmers. (Note: It has been proposed by some donors that repair of irrigation systems be carried out under food-for-work programs. It is the feeling of the assessment mission that cash-for-work would be preferable since it is likely that recipients would sell a portion of the food, thereby depressing the market for those farmers who are able to produce some crops. However, there may be some urgent food needs in the drought-affected areas where food-for-work schemes could be undertaken with negligible consequences.)

Indirectly, agricultural rehabilitation can be affected by road repair. Workers from neighboring farms can earn needed capital to rehabilitate their lands and to buy needed supplies, and the repaired roads will facilitate the marketing of agricultural products. Rehabilitation of the transport network will also facilitate micro-scale marketing (garden vegetables, etc.).

- C. Fishing: Restoration of the full potential of the fishing sector will be influenced only indirectly by public sector activities. Restoration of the electrical system will permit cold storage to resume; restoration of the transport system will facilitate marketing; and restoration of water supplies to some areas will permit resumption of commercial processing.
- D. Commercial and Industrial Sectors: Reconstruction of both large and small commercial and industrial enterprises will be affected indirectly by restoration of roads (facilitating marketing) and communications (operations and marketing). In some cases, reconstruction will be directly accelerated by restoring supplies of electricity (facilitating operations and manufacturing) and water (which will permit resumption of some forms of manufacturing). Priorities for these activities will have to be determined at the local level and based on how many jobs are affected.

### III. CROSS-SECTORAL COORDINATION

In order to undertake all project activities in such a manner that the cross-sectoral benefits are maximized, effective coordination and planning will be vital. This may be difficult in a country that has over 30 different ministries. Therefore, it will be necessary to establish a strong coordination capability at both local and national levels. Two things will be required: national and local coordinating committees, and national and local reconstruction plans.

- A. Coordinating Committees: Under the current governmental structure, the means for coordination already exist. At the national level, the Ministry of Finance & Planning has the ability to coordinate by virtue of allocating funds; at the district level, the Government Agent has responsibility for coordinating programs in the district. In the case

of the latter, devolution is not likely to affect administration and management; what will change is the policy-making authority and the chain of authority from the policy-makers to the GA.

In an aide memoire submitted by the World Bank Assessment Team to the Government of Sri Lanka in September 1987, a management framework of reconstruction committees was proposed to guide the program until devolution occurs. At that time the committee structure could be changed.

To set overall reconstruction policy at the district level, a District Reconstruction Coordinating Committee (DRCC) would be established to coordinate operations and pave the way for the new governmental structure to take over more direct management of the program when the devolution process commences. The DRCC would be headed by the district GA and would include representatives from: NHDA; RDA; Ministries of Agriculture, Fishing, Education, Public Health; and local citizen's groups. Representatives of NGOs, as well as those agencies such as Energy, Telecommunications, etc., with unique responsibilities in the affected areas (but which are independent and do not lend themselves to being coordinated at the district level, nor provide a substantial number of jobs, nor compete for other resources) would be invited as ex officio members.

In some districts a technical secretariat would be formed to assist the GA in day-to-day operations and to assist the committee in its work. The secretariat would include, but not be limited to, a program coordinator, an engineer, an agricultural and fishing specialist, an accountant, and a data processor. The necessary bookkeepers, file clerks and secretaries to assist the technical secretariat would be provided by the GA's office.

To ensure that people from each affected area are well-represented, a number of citizens representing different sectors of the community should be appointed to the committee. These could include elected representatives of agricultural and fishing cooperatives, small business organizations, and local social welfare groups (NGOs), etc. Members from these groups should represent a broad cross-section of the people in the area and be able to accurately identify and report their needs, problems and aspirations.

The role of the DRCC would be to help the GA prepare coordinated plans for reconstruction at the district level, help set priorities, advise on needs and problems of families and groups in the affected communities, and help monitor the progress of the program. It would provide an interim forum for the people in the area to voice their grievances to the GA.

In the initial stages of reconstruction, the DRCC should meet on a weekly basis; after 6 months, the meetings could be reduced to a monthly schedule.



To coordinate among ministries at the national level and to resolve inter-district issues, a National Reconstruction Steering Committee (NRSC) would be established. The NRSC would be located in the MOFP and chaired by a senior MOFP official. Members would include: GAs from the affected areas (10 districts); Secretaries of the Ministries of Local Government, Housing & Construction, Agriculture, Health, Education, Plan Implementation, Rehabilitation; and the Director of the Road Development Authority. Other ministries which would have only a limited or short-term responsibility (such as Regional Development, Rural Development and Cooperatives, etc.) would sit as ex officio members in the initial stages of reconstruction and later as necessary. Representatives of Sarvodaya and possibly one other national NGO would also be invited to sit on the committee.

The operations of the NRSC would be assisted by a Secretariat made up of a Director, two coordinators and a technical staff consisting of two engineers, an agricultural specialist, a housing specialist, a fisheries specialist, a chief accountant/auditor, a social welfare officer, and a transport specialist/logistician. Support staff would include bookkeepers, secretaries, drivers, etc.

The role of the Secretariat would be to assist the committee in coordinating and monitoring the overall reconstruction program and handling day-to-day activities on behalf of the committee and the MOFP in their roles of reviewing project proposals, ensuring coordination between sectors and districts, assisting fund transfers, and resolving bottlenecks and disputes.

Due to the difficulty (and expense) of getting all the GAs together periodically, it may be necessary to establish a working sub-committee at the Colombo level. This sub-committee would be convened on a bi-weekly basis to deal with matters of coordination among ministries only. The full committee should meet on a monthly basis.

The reconstruction management structure recommended in the aide memoire will influence the way decisions are made by: 1) adding representation from the affected areas to policy-making at the national program coordination level; and 2) creating a policy/planning advisory body at the local level to assist the GAs. In other words, instead of reporting exclusively to the Ministry of Local Government, the GAs would take (only) reconstruction policy guidance from the local District Reconstruction Coordinating Committee until devolution is finalized.

- B. Reconstruction Plans: Formal, written reconstruction plans at both the national and local levels can provide a basis for coordination and can help alleviate the worries of the local people concerning control being wrested from them. The process of preparing the plans can be undertaken simultaneously at all levels and would involve the full participation of the committees proposed in A above.

The process should begin at the local level. District Reconstruction Coordinating Committees should coordinate preparation of local reconstruction plans. Each plan should elaborate local needs, define priorities, establish reconstruction policies, describe sectoral plans, consider the cross-sectoral implication of specific activities, and help review the local budget. The principal elements of the local plans should be depicted on a bar chart or other simplified graphic schedule. In order to assist and speed preparation of the local plans, some model plans should be prepared which the local committees could use as a guide.

In order to provide more accurate data for planning sectoral activities and programs, it will be necessary to carry out more detailed assessments in some areas. Involving the committees at the local level in the assessment process should reduce fears that all needs are not being considered.

Support for the preparation of local plans would be provided through the Technical Secretariat of the DRCC, possibly with input from the Ministry of Rehabilitation. (The capabilities of the Ministry to assist the local committees may need to be strengthened. This could include supporting the Ministry with appropriate technical assistance, especially regarding how to facilitate the local planning process.) It may also require providing electronic data (and word) processing capabilities to the secretariats.

It should be noted that reconstruction and the process of planning is fairly straightforward. Many activities such as road or bridge reconstruction will be determined more by technical than by other considerations. If local people are represented in the process and if the plans are properly presented, there should be no reason for local people to fear that the process is somehow out of their hands. In previous reconstruction programs, it has been noted that plans drawn up by victims' committees provided with technical assistance are similar and comparable to plans prepared by authorities without citizen involvement. Therefore, neither government nor local people should be wary of the process. If efforts are taken to capacitate the committees, the planning process should move quickly and smoothly and local concerns can be greatly tempered.

When assigning responsibilities to the local committees, it is important to:

1. assign a strict deadline for the plan (2-3 weeks maximum);
2. ask the committee to prepare a list of activities that can commence or continue while the plan is under preparation.

Under the auspices of the Ministry of Finance & Planning, a comprehensive National Reconstruction Plan should be compiled and, where necessary, further elaborated. Preparation of the National Plan provides the NRSC with an opportunity to review the overall reconstruction effort and its goals, establish national reconstruction

policies and priorities, review cross-sectoral implications and needs, assign clear and appropriate responsibilities, and prepare a national budget. The principal elements of the Plan should be integrated into a network diagram (e.g., PERT or a computer-based program). The donors should provide technical assistance as necessary to prepare the Plan in a swift and orderly manner. The Plan should state clearly how the government will transfer appropriate elements of the program to local authorities when the final form of devolution is agreed upon.

## EMPLOYMENT GENERATION

### I. BACKGROUND

Reconstruction activities in both the public and private sectors will create employment opportunities. How many new jobs will be created and how much total cash will be provided (and needed) will be greatly affected by both planning and sequencing of the reconstruction program and its sub-activities. The greatest impact of reconstruction on employment will be in restoration of jobs that existed before the hostilities. As soon as peace is secured, people will resume their normal work. But reconstruction will also require additional labor to repair and rebuild physical structures in the affected zones. In addition, the programming of reconstruction assistance to promote long-term development objectives, improve the quality of infrastructure, and expand high-potential employment activities -- if properly planned -- can provide new employment opportunities. Even so, it should be remembered that reconstruction employment will have only a short-term impact and that few long-term jobs will be generated.

The employment that will be created can be classified as short-term, (a few weeks to several months), medium-term (jobs created by, and likely to last for, the duration of reconstruction) and permanent employment. The following is a summary of the employment opportunities that could be created.

- A. Private Sector Employment: Most jobs in the fishing, commercial and industrial sectors will be due to the restoration of jobs that existed before the conflict. In the building sector (housing, commercial and industrial buildings, public buildings), a large number of new jobs will be created, although most of only short- and medium-term duration. The following is an estimate of the employment created in each job category per year:

	<u>Jobs</u>	<u>Work Days</u>	<u>Income (Rs.)</u>
Short-term employment:	4,000	624,000	46.8 million
Medium-term employment:	1,800	561,600	42.1
Permanent employment:	1,200	374,400	28.0

Of these new jobs, approximately 90% will be in actual construction, and 10% in the production, sale and transport of building materials.

Judging by past major reconstruction programs, employment in the construction industry will have the greatest impact on lowering overall unemployment rates. For example, in Guatemala, reconstruction activities are estimated to have reduced nationwide unemployment by 12% in the first two years after the 1976 earthquake; but after 4 years, the unemployment rate returned to within 2% of the pre-disaster norm (Bates et al, University of Georgia).

- B. Public Sector Employment: Reconstruction and rehabilitation activities in the public sector will create the majority of job opportunities during the reconstruction period. The following is a summary:

	<u>JOBS</u>	<u>WORK DAYS</u>	<u>INCOME (Rs.)</u>
1. Road reconstruction:			
Short-term employment:	4,000	16,000	4.8 million
Medium-term employment:	1,000	126,000	5.0
Permanent employment:	250	78,000	3.1
TOTAL		220,000	12.9 million
2. Restoration of the electrical energy distribution system:			
Short-term employment:	300	46,800	1.4 million
Medium-term employment:	100	31,200	1.2
Permanent employment:	50	15,600	.78
TOTAL		93,600	3.38 million
3. Restoration of telecommunications:			
Short-term employment:	400	62,400	1.87 million
Medium-term employment:	150	46,800	1.87
Permanent employment:	50	15,600	.78
TOTAL		124,800	4.52 million
4. Restoration of the water distribution system:			
Short-term employment:	200	102,400	3.0 million
Medium-term employment:	50	15,600	.6
Permanent employment:	20	6,240	.3
TOTAL		124,240	3.9 million
5. Rehabilitation of irrigation systems:			
Short-term employment:	2,000	50,000	1.5 million
Medium-term employment:	50	7,800	.3
Permanent employment:	10	3,120	.15
TOTAL		60,920	1.95 million
6. Restoration of public transport and rail:			
Short-term employment:	500	45,000	1.35 million
Medium-term employment:	100	15,600	.62
Permanent employment:	25	7,800	.39
TOTAL		68,400	2.36 million

The total number of jobs created by reconstruction of the principal public sector structures and systems is estimated as:

	<u>Jobs</u>	<u>Work Days</u>	<u>Income (Rs.)</u>
Short-term employment:	7,400	322,600	13.92 million
Medium-term employment:	3,950	243,000	9.59
Permanent employment:	405	126,360	5.5
TOTAL	11,755	691,960	29.01 million

APPENDICES

## RETURNING REFUGEES

### AND THEIR IMPACT ON THE MANNAR DISTRICT

Summary: The Mannar District is likely to require special attention due to a combination of problems including: a high percentage of refugees returning from India who are related to the fighters of the LTTE; a high percentage of returning widows and children; a drought in the zone; and extreme poverty in the area.

#### I. BACKGROUND

The Mannar District lies on the northwestern edge of the island. Mannar Island, which is connected to the main island by a short causeway and bridge, juts westward approximately 30 kilometers reaching towards the southeastern tip of India just 30 kilometers away. The ferry between Mannar Island and Rameswaram, Tamil Nadu, is the traditional gateway to and from India.

The area is flat and dry; there are no forests. Overall, it is one of the poorest areas in the country. Most of the inhabitants are farmers or fishermen. The bay north of Mannar Island is shallow and considered unproductive for large-scale fishing. Nevertheless, many of the people in the area do fish, although most are only subsistence fishermen who stay close to the shore and live along the bay shore in extremely marginal huts made of wood sticks and cadjan mats.

Farms in the area are generally quite small, averaging less than 1.5 acres, and irrigation systems are not as well developed as in other parts of the north and east. Agricultural production in this district is one of the lowest in the country.

Christians form the largest (42%) religious group (most fishermen are Christian), followed by Muslims (28%) and Hindus (27%).

#### II. ORIGIN OF THE REFUGEE PROBLEM

- A. Pattern of Conflict: The Sri Lanka Army (SLA) maintained a base near Mannar town at the beginning of the conflict. During the fighting, the base became an important command post for the army, not only for land operations in the zone but also as a base for interdicting arms shipped from India. Helicopters operating out of the base were assigned to monitor the Palk Strait and attack boats suspected of carrying arms. The level of conflict around the post was intense and many surrounding villages were completely demolished. Approximately 25,000 people were displaced in the fighting.



As the fighting escalated, large numbers of Tamils began to leave Sri Lanka for India. From 1983 to the end of 1984, the ferry between Sri Lanka and India was still operating; the people who left entered India legally and went through normal customs formalities. Most were given temporary work permits and settled with relatives or friends. The numbers, while large (approximately 150,000), were manageable since the inflow was gradual and the people were quickly absorbed. None of these early refugees were in camps.

- B. The Exclusion Zone and Subsequent Refugee Migration: In early 1985, in order to stem the flow of arms to Sri Lanka, the government declared an exclusion zone in the Strait and warned that any boats in the zone would be subject to attack by the Sri Lanka Armed Forces. Helicopters began armed patrols over the area and several boats were attacked. As a result, the fishermen of the area suddenly found themselves unable to sustain their livelihood and, within only a few months, almost 40,000 fled in their boats to India with their families. Due to the large number of sudden arrivals, the Government of India established a series of refugee camps for the newcomers.
- C. Recruitment of the Refugees: Once the refugees were placed in camps, they became easy targets for rebel recruiters, and overnight the LTTE ranks swelled. Training bases were established near the camps. Soon many of the men were making their way back to Sri Lanka as insurgents. Throughout the remainder of the conflict, the refugee community supplied the bulk of the rank and file fighters.

### III. IMPLICATIONS

Refugees and displaced persons from Mannar may have a significant impact on the reconstruction program for several reasons. First and foremost, a high percentage of the rebel forces that are still armed are from Mannar. Since the area is so poor, it will be hard to provide good work for the people in the area. Even Mannar town is not likely to generate much new work; the levels of damage in the town are light and will not create many new jobs. Housing losses in the surrounding area are heavy but the houses are likely to be rebuilt by the owners themselves, not by contracted laborers. A restless, armed population could be very problematic.

Problems are likely in providing initial assistance to the families of fishermen. Since their houses were made of sticks and mats, most deteriorated quickly and vanished during the time they were gone. When the government enumerated damaged structures, there was nothing to see; thus, the huts were not listed in the damage figures. Since the refugees were still in India, there was no one to interview regarding damages, so most of the fishermen and their families are not on the lists.

While replacement of the huts will not be a problem because most of the materials can be found locally, the families' eligibility for financial compensation may be affected since at present eligibility is



determined by losses to property, i.e., if you lost your house, you are entitled to various endemnities; if your damaged house is not on the rolls, you don't qualify. In Mannar, it will probably be necessary to re-enumerate the lists to qualify all those entitled to aid. How quickly and thoroughly this is done will be an important factor in determining how smoothly reconstruction proceeds in the area.

A social problem that the government will face is that many of the returning refugees are widows of LTTE fighters. UNHCR reports that a high percentage are from Mannar. UNHCR also reports that most have dependent children. Unskilled widows will require special services, and new job opportunities need to be considered. Specialists in "women in development" programs should be engaged early in the reconstruction effort.

A final consideration is the drought that is affecting the zone. Not only will this create additional hardship on the farmers in the area but, if food shortages develop, food prices are likely to increase. Given the lack of jobs, the cost of reconstruction and other factors, rising food prices could lead to widespread malnutrition and could trigger social unrest.

#### IV. RECOMMENDATIONS

For all the aforementioned reasons, the Mannar District should be designated a special priority zone for reconstruction.

- A. Integrated Reconstruction Program: As a first step, all reconstruction efforts should be integrated to achieve the maximum impact. An integrated reconstruction program, using many of the same techniques for planning and programming funds as IRDPs, should be considered for the coastal zones. The reconstruction program should be designed to make long-term contributions to development of the area.
- B. Special Assistance for Returnees: In discussions with the UNHCR assessment mission (led by Kasidis Ramandakorn), I have recommended that they enter into a collaborative program with the government and a large NGO (such as CARE) to initiate a series of special assistance projects that are targeted generally at the refugees but will also support the integrated reconstruction program suggested above. Among the programs that I have suggested are:
  1. special assistance for women with dependent children.
  2. creation of special jobs programs to provide interim work for fishermen and low-income farmers.
  3. programs for rehabilitating and improving the fishing sector, such as provision of technical assistance to organize fishing cooperatives, possibly around the "cooperative boathouse" concept.

4. Assistance in reconstruction of fishing villages with special attention focused on planning, provision of decent services (especially clean water), and upgrading the housing standards of the people.

RESETTLEMENT AND REPATRIATION  
OF REFUGEES AND DISPLACED PERSONS

During the fighting, as many as 150,000 people fled the immediate zone of conflict for shelter in other communities in the north and east, an additional 50-75,000 sought sanctuary in other parts of the country, and as many as 200,000 sought refuge in India. (An unknown, but large, number of people also immigrated to other continents during the conflict but will not be considered in this report, since it is doubtful they will soon return.)

Many of the people who were displaced but remained inside Sri Lanka (referred to herein as displaced persons or "DPs") were admitted to camps established by the government and supplied by the Ministry of Rehabilitation. The people were registered and received rations and other assistance on a regular basis. Since the end of hostilities, the government has begun to make arrangements for people to return to their homes. Plans now call for the GA in the district where the people are residing in a camp to issue them either transport or a bus or rail pass giving them and their belongings free passage home. Once the family has returned to their home district, they are supposed to show their camp registration card or a letter from the GA to the local GA and be enrolled for benefits. These include: 1) a "settling in" allowance; 2) a housing reconstruction allowance; and 3) agricultural or fishing rehabilitation allowances. (Other assistance is being contemplated.)

Since the amount of belongings that DPs have accumulated is relatively small, no additional transport is required. In the opinion of the World Bank Assessment Team, the program sufficiently covers resettlement needs and, since all assistance is issued at the returning end, people quickly enter the normal caseload. There is no requirement at this time for additional forms of assistance. Furthermore, there should be no need to make alternative transport arrangements since the distances are fairly short; as the bus network resumes, there should be adequate capacity to move the people at low cost.

Refugees returning from India will be assisted by the United Nations High Commissioner for Refugees. The High Commissioner has sent an assessment team to Sri Lanka to determine repatriation needs and to formulate an assistance program. An initial contribution of 1.0 million dollars was made to the Ministry of Rehabilitation's funds for settling-in and housing allowances, and to reimburse the government for costs of moving refugees from their point of re-entry to their homes. Discussions with the UNHCR Sri Lanka desk officers indicate that UNHCR will issue an appeal and may provide up to 3.5 million dollars for: 1) establishment and operation of a repatriation center (in Trincomalee); 2) trucks to move returnees from the repatriation center to their homes; and 3) grants and loans to help economic reintegration. If the appeal is well-subscribed, additional assistance may be contemplated. The assessment team feels that the assistance offered by UNHCR, if integrated into the general reconstruction plans, should be sufficient to meet the needs of returning refugees and that no additional assistance will be required beyond the normal package of aid that is available to all.

## PROGRAM CONSIDERATIONS REGARDING TRINCOMALEE AND BATTICALOA

Summary: Due to the ethnic makeup of these two areas, tensions are likely to remain high and further displacements of people are likely to occur when the final form of devolution is announced. Special attention should be given to certain groups among the affected population, and some funds should be held in reserve to assist relocation and reduce the potential for population shifts becoming violent.

### I. BACKGROUND

- A. Demographic Factors: The population of the cities of Batticaloa and Trincomalee is made up of Bhuddist Sinhalese, Tamil Hindus and Tamil Muslims in approximately the following percentages:

	<u>Batticaloa</u>	<u>Trincomalee</u>
Sinhalese:	3%	34%
Hindu:	71%	34%
Muslim:	24%	29%

- B. Localized Conflicts: During the conflict, the Muslim community largely sided with the Sinhalese and the Sri Lanka government. In these two cities, this triggered a small "war within a war" as Hindu and Muslim communities clashed over this issue and other, older grievances. Sometimes, there was simply a settling of old feuds between families but, in a number of cases, communal violence broke out and whole neighborhoods or commercial districts were sacked. In these areas, tensions are still high.

### II. POLITICAL UNCERTAINTIES

Due to the ethnic makeup of the area, the political future is a bit uncertain. Batticaloa, which is farther south than Trincomalee, should be included if not for geography; while in Trincomalee, the Muslim community could be the swing vote, although they are most likely to vote to stay in a non-Hindu zone. Whether or not the eastern zones are included in an autonomous Tamil district, it is likely that some population shifts will occur when the final demarcation of Tamil areas is announced. If the cities are included in the Tamil area, the Muslims and a large portion of the Sinhalese are likely to leave; if the zone remains out of the Tamil district, a number of Tamil Hindus are likely to migrate north. In other situations where "partitions" have occurred (such as in India in 1947), the announcements have been followed by a period of violence and spontaneous relocation of minority populations.

### III. RECOMMENDATIONS

As a way of reducing the levels of violence, it will be important that funds be available to help people resettle and adjust to their new situation. A program of assistance for those wishing to relocate should be announced before the final form of devolution is announced and the Tamil areas are demarcated.

Other recommended actions are:

1. Target the two urban areas for early assistance.
2. Target commercial reconstruction assistance for these areas.
3. Set aside some funds for local resettlement (within the cities) when devolution plans are announced.

## IMPACT OF THE DROUGHT ON RECONSTRUCTION

Summary: A drought is affecting portions of the reconstruction zone. This will cause additional hardship for persons in the area and may affect the progress of reconstruction. Special allowances and considerations may be necessary for victims of both conflict and drought.

### I. BACKGROUND

The northern districts of Sri Lanka are experiencing the same drought conditions that now prevail over much of the subcontinent. Some areas of Jaffna, Mannar, Mullaittivu and Vavuniya have not had significant amounts of rain for over two years. During field visits to the area, the Assessment Team noted that most of the tanks\* used for irrigation were completely dry and those with water would not have enough to irrigate for a complete season. (My personal estimate for the Mannar and Vavuniya districts is that 80% of the tanks are completely dry, 15% have enough water for partial irrigation, and 5% could provide enough for the entire season. Areas to the east, serviced by the Mahawelli scheme, appear to be OK.) As the winter rainy season is approaching, this situation could change overnight; but for planning purposes, it should be assumed that the rains will again be light and insufficient.

The drought is occurring in the poorest agricultural zones of the region. Yields here are much lower per acre than in other areas, and many farmers are producing little more than subsistence crops. Traditionally, these people have been the most difficult to reach with development assistance.

In a drought situation, a common survival strategy for rural people is to move to cities to seek temporary employment. Unfortunately, there are no large cities or towns in the immediate vicinity of the drought zones. Mannar, Vavuniya and Kilinochchi towns are all fairly small and are not likely to have sufficient employment, even with reconstruction, to provide adequate income to offset agricultural earnings.

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\* Farmers in this part of Sri Lanka use an above-ground irrigation system unique to the country, according to John Flynn, the AID agricultural specialist assigned to the World Bank Assessment Team. Rather than excavating an area and pumping the water up into irrigation canals, Sri Lankans locate natural catchment areas and build retaining dams across the upper portions. Shallow reservoirs form behind the dams above ground level with just enough water to irrigate the catchment area below the dam. The reservoirs rarely need to be desilted since most of the silt is deposited on the fields below the dam. In order to utilize as much land as possible for growing crops, the tanks are fairly small, usually holding only a year's supply of water.

One of the districts, Mannar, has the highest percentage of returning refugees and will need special attention for that reason alone (see appendix on "Returning Refugees..."). It is believed that a significant number of the LTTE fighters are from this zone, especially Mannar. This could have a major impact on civil stability in the area.

## II. IMPLICATIONS FOR THE RECONSTRUCTION PROGRAM

The drought may have several consequences for the reconstruction program:

- A. Agricultural reconstruction is likely to be delayed; it will be more difficult and, consequently, more costly.
- B. It will be necessary to provide sufficient alternative employment for farmers to help them make it through the drought.
- C. Agricultural credit schemes must consider the impact of the drought when scheduling repayment of loans (i.e., a grace period may be required).
- D. Since food aid will probably be necessary, it will be important to establish a food monitoring system to facilitate accurate targeting of the food in order to avoid over-supplying the area, which would undercut market prices and have a negative impact on what little production might be possible.

## III. RECOMMENDATIONS

The following actions are recommended:

- A. Drought areas should be identified and monitored, initially on a fortnightly basis. Monitoring should include:
  1. prices of agricultural commodities;
  2. nutrition levels, especially for children under 5;
  3. unemployment levels and wage rates (to detect drops);
  4. population shifts induced by the drought;
  5. water levels in the reservoirs.

To accomplish the above, the Ministry of Rehabilitation should be given training on how to monitor droughts and food shortages and how to provide food to people at the village level. Any reports on food production estimates, generated by FAO or AID FEWS as part of the general monitoring of conditions on the subcontinent, should be forwarded to the Ministry on a regular basis.

- B. As a precaution, food stocks in the affected zones should be bolstered. (WFP has already offered to provide some additional food.) Prior to distribution, a comprehensive food distribution policy should be established and suitable distribution strategies adopted. Food-for-work programs should be thoroughly considered prior to initiation.
- C. All drought zones should be targeted for special, early assistance.
- D. Public works programs should concentrate on land rehabilitation, improving agricultural infrastructure, and expansion of irrigation systems.
- E. Priority should be given to labor-intensive road reconstruction and repair work in the drought-affected areas as a means of providing alternative employment opportunities.
- F. As an alternative way of keeping farmers in production, the government may wish to consider short-term leasing of irrigated land in other areas to farmers from drought zones. Farmers would be paid to clear and prepare the land, then plant and cultivate a crop. In this way food production losses for the country would be minimized and new agricultural land would be opened up. If farmers are compensated for the improvements they make to the land, they could earn enough money to rehabilitate their own farms once the drought is over and they return to their land. (Land lease programs that could provide a model for the necessary implementing arrangements were established during a Jamaican drought in 1979. They were facilitated by church agencies.)



## NOTES ON CASH DISBURSEMENTS TO DISPLACED PERSONS

Summary: Disbursement of funds to displaced persons appears to be problematic in several areas. The disbursement process needs to be monitored to ensure that people receive the money to which they are entitled.

### I. BACKGROUND

As part of the assistance given to victims of the conflict, Government Agents (GAs) in each district have been allocated funds to give: 1) to persons who have been displaced by the fighting; 2) to families that have lost their homes; and 3) to farmers who have been forced off their lands. Allocations range from a 1000-rupee "settling in" allowance to a 3000-rupee grant to help in rebuilding homes.

A portion of the funds for the grants-in-aid has been provided by the USAID Mission.

### II. OBSERVATIONS

During the assessment field trips, I met several displaced persons who have returned to their original villages from DP camps in other districts. On each occasion I asked what kind of assistance they had received and what kind of additional assistance they expected or had been informed they were to get. In all cases, the people had received nothing and had not been informed about their eligibility for assistance. Several said they had heard rumors that they would be given 10,000 rupees each but were uncertain where it was to come from and when to expect it.

During a visit to Trincomalee, I talked with several Tamils who had just returned from a camp near Jaffna. Upon leaving the camp, each had been issued a letter by the GA stating that they were "refugees" and had been living in a government-supported camp. I learned from the assistant GA that this was the document used to qualify people for assistance. Use of this letter presents several problems:

- A. The letter is in English, a language no one in the village can read.
- B. There is no date on the letter.
- C. There is no description of what, if any, assistance to which the bearer is entitled.
- D. There are no instructions telling the bearer where to go for further information or assistance.
- E. There is no identification number, no place for a countersignature of the bearer, nor any way of identifying the bearer such as a photo, thumbprint, etc.
- F. There is no original signature of the issuing officer.

In other words, the letter would be easy to forge and counterfeit, it provides no way to trace what kind of assistance has been issued, and it does not give any guidance whatsoever to the bearer. If the government continues to use this method, it will be impossible to monitor the program and widespread graft/misuse of funds is sure to occur. Even if the program were to be honestly administered and the recipients were not prone to trying to beat the system, many people would still fail to receive their fair share of the benefits.

### III. RECOMMENDATIONS

The following actions are recommended:

- A. A national beneficiary registration system should be established. The system should be designed so that registration leads directly to referral to the appropriate agency for assistance and puts the family squarely in the casework.
- B. A standard beneficiary identification card should be issued. It is recommended that a plastic card with an ID photo of the head of household be used. It is also recommended that each card have icons denoting the assistance people should receive. As each type of assistance is given, the icon can be punched out with a hole punch. If the bearer is not entitled to one or more categories of assistance, those icons can be punched at the time of issue. As each family receives its card, the particulars and the registration number would be noted in a registration book and the head of the family would countersign the notation. The cards should be printed in Tamil and Sinhalese.

Notes: At the suggestion of Peter Bloom, AID Mission Director, I discussed this with Austin Fernando, Secretary of the Ministry of Rehabilitation. He promised to look into the matter and said he would consider these proposals. I feel, however, that AID should take it up again at an early date since the Mission is providing the funds and would have more clout with the Ministry.

## CENTRALIZED CASEWORK AND JOB REFERRAL SYSTEM

In order to ensure that all beneficiaries receive the assistance to which they are entitled, to speed the delivery of benefits, and to reduce the possibility of cheating, a centralized system for processing claims and referring them to the proper sources of assistance will be needed.

### I. BENEFITS

A preliminary list of the benefits for which individuals and families may be eligible includes:

- Rs. 1,500 "settling in" allowance for displaced persons/refugees;
- Rs. 3,000 housing rehabilitation allowance;
- Rs. 1,200 agricultural rehabilitation allowance;
- Rs. 3,500 - 7,000 low-interest housing loan;
- Subsidized building materials allocation;
- Irrigation rehabilitation grant;
- Agricultural tool allowance;
- Fisheries recovery grant.

In addition, people are likely to be eligible for some forms of assistance from NGOs such as:

- food;
- clothing;
- matching grants for housing reconstruction;
- immunizations for returning refugee children.

Finally, as public sector reconstruction begins, it will be important to channel the most deserving victims into the work force.

### II. REGISTRATION

The key to a successful casework system is a standardized central registration system. Such a system requires:

1. Provision of all assistance to people at their place of residence (except for transport home in the case of refugees);
2. A standard registration card that clearly lists (or depicts with icons) the types of assistance for which people are eligible;
3. A central permanent register where people's benefits are recorded and where people sign or initial the ledger to indicate they have received the benefits; and
4. A central claims office where people can go for one-time processing of their claims and to receive any cash that is due.

The system should work as follows:

Central claims offices should be set up at convenient and accessible locations throughout the affected areas.

Notices informing the public that assistance is available and where to go would then be posted throughout the area, supported by radio announcements, newspaper notices and other appropriate media. The notices would tell the people to bring the following to the claims office: 1) their identity card; 2) a passport photo; 3) any letters or documents they have been issued previously indicating they are eligible for assistance (especially refugee ID cards, etc.).

Persons coming to the office would be met by a counsellor who would conduct a preliminary screening interview to determine: 1) if all the person's documents are in order; 2) the place of residence; and 3) the services for which the person appears to be eligible. If the person has all the necessary papers and/or his/her identity card, he/she is issued a registration card, a photo is attached, and the new bearer signs the card. The recipient's name and the number of the card is then immediately entered into the permanent register. The registrar marks the icons representing the benefits for which the person may be eligible on the face of the card, then refers him to the appropriate caseworkers in the same room so that they can determine whether the person is indeed eligible for the assistance.

The caseworkers interview the card bearer and determine eligibility. If there is any doubt, a follow-up field visit may be required. When all is complete and the various benefits have been determined, the caseworker countermarks the registration card. The bearer is then led back to the registrar who seals the card in plastic and enters the benefits to which the bearer is entitled on the permanent register beside his/her name. If the bearer is not entitled to a particular benefit (as determined by the unmarked icons on the card), the icon representing that benefit is punched out by the registrar.

The bearer of the card may then take the card to the appropriate window or agency to claim the assistance that is due. As each form of assistance is issued, the beneficiary signs a receipt and the issuing officer punches the appropriate icon on the registration card. The receipts are then sent back to the registrar who records on the central register that the benefits have been received. (Some materials may be provided by commercial suppliers, e.g., building materials. The supplier would simply return the receipts for reimbursement from the program.)

If a person needs employment or demonstrates a need for part-time work to earn additional money to enable him to reconstruct more quickly, the caseworker will make note of this and place his name on a list of eligible workers in his community. When public works projects are undertaken in the area, workers on that list will have priority for the jobs. (It should be the policy of the World Bank that all reconstruction projects utilizing Bank funds give priority to hiring workers whose names appear on these lists.)

## STRENGTHENING GOSL CAPACITY TO HANDLE RECONSTRUCTION

Summary: The Government of Sri Lanka is not in a strong position to monitor and manage the overall reconstruction program, nor does it have strong ministries from which to draw support. For this reason, it will be necessary to establish a program that is well planned, simple to administer, based on existing systems, and facilitates close monitoring. In addition, the Government may require a degree of technical assistance in planning and establishing the monitoring capability.

### I. BACKGROUND

In initiating the reconstruction program, the GOSL is faced with several shortcomings and impediments to program implementation. They are:

- A. The Ministry currently in charge does not have much capacity to manage a large program. The staff is very small; it is normally a support ministry, not a line ministry; and the head of the Ministry does not have cabinet rank. The Secretary of the Ministry is not a senior official and, in rank, is generally on the same level as the GAs through which he must operate. Unless lines of authority and responsibility are assigned at the highest level, the program is likely to suffer from a confusion of authority.
- B. None of the principal ministries likely to be involved in reconstruction activities have systems established to monitor large influxes of funds or the programs they will be expected to conduct. For example, the Roads Development Authority (RDA) will be called on to coordinate large-scale, labor-intensive construction projects. Normally, the RDA does major road work through capital-intensive approaches and contracts much of the work. At present, they do not have the capability to manage comprehensive works schemes designed to channel money into the devastated communities. While the staff certainly is capable of handling the program, it will speed matters if planning and monitoring are assisted in the beginning.
- C. Initially, the GOSL will rely on the existing government structure to administer the reconstruction program. However, when devolution occurs, the form of local government may change substantially. For this reason, it will be necessary to avoid creating any new government entities to administer the program and, to the greatest extent possible, to assign major responsibilities to entities that will not change with the form of government (e.g., co-ops, NGOs, municipal governments). Since these groups will not have a lot of capacity to administer large-scale programs, some technical assistance will be needed at this level.
- D. Responsibility for implementation of the program will likely be spread among many different ministries (the GOSL has over 30!). It will be necessary to have a good overall plan to guide reconstruction in order to avoid confusion and duplication.

- E. Personnel in the line ministries are not generally sympathetic to the peace accord and foot-dragging can be expected at some levels. It will be necessary to build-in ways of detecting and overcoming such obstacles swiftly. It will be especially important to establish milestones for all significant elements of the program.

## II. RECOMMENDATIONS

- A. Long-term and short-term needs and programs should be differentiated. Short-term assistance can continue to be funnelled through the Ministry of Rehabilitation, while longer-term programs should be coordinated through the Ministry of Finance & Planning.
- B. The capabilities of the Ministry of Rehabilitation should be strengthened. This includes supporting the Ministry with appropriate technical assistance (especially for establishment of the registration and casework referral system), providing electronic data processing capabilities, and giving the Ministry the necessary funds and equipment to monitor the short-term elements of the program.
- C. Under the auspices of the Ministry of Finance & Planning, a comprehensive Reconstruction Plan should be developed. The Plan should clearly elaborate the total reconstruction effort, define goals, establish reconstruction policies, describe sectoral operations plans, assign clear and appropriate responsibilities, and establish a budget. The principal elements of the Plan should be integrated into a network diagram (e.g., PERT or a computer-based program). Donors should provide technical assistance as necessary to prepare the Plan in a swift and orderly manner. The Plan should state clearly how the government will transfer appropriate elements of the program to local authorities when the final form of devolution is decided. The Plan should also define an interim management system that can involve Tamil leadership in the early phases of program planning and management.
- D. In order to provide more accurate data for planning sectoral activities and programs, it will be necessary to carry out more detailed assessments in some areas. With careful planning, the assessments can be designed not only to collect the needed data but also to initiate the individual casework for each family. Technical assistance on how to accomplish this may be necessary.

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