

## SUMMARY POVERTY AND SOCIAL ANALYSIS

### A. Poverty in Sri Lanka

1. The United Nations ranked Sri Lanka 84<sup>th</sup> among 174 countries in the human development index in 2000. Sri Lanka has made substantial gains in reducing poverty, as reflected in its impressive human development indicator, with 0.73 being by far the highest in South Asia. Poverty in Sri Lanka can be attributed to a much larger extent to income and consumption than to access to basic services. It is a predominantly rural phenomenon with 87% of the total poor living in rural areas and distinct regional variations. Overall, about 40% of the country's population are either poor or vulnerable to poverty.

2. Due to the conflict, the North and East have been excluded from official national surveys during the last 17 years. However, data available at the district level and below suggest that the area lacks basic services, and has lost productive assets and social capital. At least 60,000 people died, and close to two thirds of households were displaced. Economic activities are slowly picking up after the declaration of a cease-fire in early 2002. Reducing conflict-related poverty is one of the six pillars of the Government's poverty reduction strategy.<sup>1</sup> In the Poverty Partnership Agreement, the Government of Sri Lanka and the Asian Development Bank (ADB) agree that ADB will assist in addressing conflict-related poverty.<sup>2</sup>

### B. Livelihoods and Poverty in the Project Area

3. **Methodologies of Poverty and Social Analysis.** In the absence of reliable statistical data on poverty and livelihoods in the North and East and nonavailability of head count data on income poverty for the project area, the project preparatory technical assistance (PPTA) used other proxy data combined with qualitative information. The PPTA included all Grama Niladhari (GN) divisions<sup>3</sup> that border the coast or major lagoons—396 GN divisions in the project area of the three districts of Trincomalee, Batticaloa, and Ampara, comprising more than 800 villages. Six indicators were selected and combined into a vulnerability index.<sup>4</sup> Subsequently the GN divisions with the highest prevalence of poverty and dependence on coastal resources for livelihoods were identified. In 82 GN divisions, separate focus group discussions were held for men and women—a total of 1,594 villagers, comprising 806 men and 788 women. Of the 396 GN divisions (67 in Trincomalee, 173 in Batticaloa, 156 in Amparai) and taking the 45-50% level of the vulnerability index as the cutoff, 146 GN divisions are considered as the most vulnerable (Table A13.1). They are concentrated in northern Trincomalee, Kinniya/Muthur, western Batticaloa, and southern Ampara. These findings were cross-checked and confirmed during loan processing. Due to the cease-fire and the changing socioeconomic situation, the PPTA findings were revalidated and detailed social profiles of the target population, with particular

<sup>1</sup> Government of Sri Lanka. 2002. *Regaining Sri Lanka, Part II, Connecting to Growth: Sri Lanka's Poverty Reduction Strategy*. Colombo.

<sup>2</sup> ADB. 2002. *Poverty Reduction Partnership Agreement between Democratic Socialist Republic of Sri Lanka and the Asian Development Bank*. Colombo.

<sup>3</sup> The Grama Niladhari (GN) division is the lowest administrative level. One GN division commonly consists of 2-3 villages with a population limit set at 250 families.

<sup>4</sup> The index is composed of (i) the percentage of households with female heads in the total population of a GN division; (ii) the number of displacements a community had experienced over the last 10 years; (iii) the number of restrictions affecting sustainable livelihood within the community (income generating activities, mobility, procurement and transport of essential items such as food and energy sources); (iv) access to safe drinking water (number of households having access to wells or piped drinking water schemes); (v) access to sanitary facilities (number of toilets per household); and (vi) the level of indebtedness (% of households within each GN division to be indebted).

attention to gender issues and minority groups, were prepared in a detailed poverty and social analysis (PSA, Supplementary Appendix G).

**Table A13.1: Project Area Statistics**

District	Coastal Population	No. of DS Divisions	No. of GN Divisions	No. of Most Vulnerable GNs	No. of Most Vulnerable GNs in SMAs
Trincomalee	116,358	6	67	35	16
Batticaloa	244,652	12	173	88	63
Ampara	184,436	13	156	23	5
<b>Total</b>	<b>545,473</b>	<b>31</b>	<b>396</b>	<b>146</b>	<b>84</b>

DS division = subdistrict administrative level; GN division = Grama Niladhari division; SMA = special management area.

Source: Asian Development Bank estimates.

4. **Characteristics of Poverty.** Poverty in the region is characterized as conflict-related, with displacement,<sup>5</sup> loss of assets, physical injuries, death of family members, and military-induced restrictions on the practice of customary livelihoods, such as farming and fishing, contributing to it. Due to the conflict, there has been lack of continuous employment and concomitant skills development. Declining standards of education and earning a living instead of going to school have led to a continuous loss of capabilities and skills especially among the young. The conflict was deeply embedded in the sociopolitical, economic, and cultural structures. It had become everyday reality, with hopelessness and frustration being an integral part of life and undermining the capacity to cope with psychological stress, shock, and war-related trauma. Throughout the conflict, the population concentrated on short-term survival rather than on any form of sustainable management of natural resources. The only recent large-scale study<sup>6</sup> found income levels within the northern and eastern areas, not controlled by the Liberation Tigers of Tamil Eelam (LTTE), to be similar to average income levels within the rest of the country. This is largely attributed to the remittances sent by family members from overseas. In coastal communities of the Eastern Province, poverty is highly variable and seasonal, and as much a result of lack of savings and other practices such as alcoholism, as of degradation of the resource base due to a multiplication of users.

5. **Population and Ethnic Composition.** The total population of the coastal GN divisions is 545,473, more than one third of the total population of the three eastern districts in 396 GN divisions, which comprise more than 800 villages. The average population per GN division is about 1,450. Major changes in ethnic composition have occurred at the district level. In Trincomalee district, the proportion of Muslims increased by 10% between 1981 and 1999, while the proportion of Sinhalese decreased in the two northernmost districts and increased in Ampara district. The proportion of Tamils increased in Batticaloa and decreased in the two other districts. Ethnic segregation continues down to the GN divisional level, with communities living in separate villages or sections of villages. Primary education being either in Tamil or in Sinhalese effectively supports segregation of children of different communities at an early age. The implication is that project activities in vulnerable coastal communities will address mainly the problems and needs of Tamils and Muslims.

<sup>5</sup> In the project area, 264 out of 396 GN divisions reported one or more displacements (defined as a need for a significant proportion of the population to leave their homes temporarily). Of these the majority were in Batticaloa and Trincomalee, where about 80% of GN divisions have suffered displacement.

<sup>6</sup> World Bank 2001. The Sri Lanka Poverty Assessment, based on the Sri Lanka Integrated Survey, Colombo.

**Table A13.2: Project Area: Population and Ethnicity (%)**

District and Coastal DS	Sinhalese	Tamil	Muslim	Other	Total Study Population
<b>Trincomalee District</b>					
Coastal GNs	10.0	51	39	0	100
Vulnerable Coastal GNs	0.5	56	43	0	100
<b>Batticaloa District</b>					
Coastal GNs	0.0	84	15	1	100
Vulnerable Coastal GNs	0.1	97	3	1	100
<b>Ampara District</b>					
Coastal GNs	2.0	34	64	0	100
Vulnerable Coastal GNs	6.0	62	32	0	100
<b>Eastern Province</b>					
Total Coastal GNs	3.0	38	59	0	100
Total Vulnerable Coastal GNs <sup>a</sup>	0.8	82	17	0	100

DS = divisional secretariat; GN = Grama Niladhari.

<sup>a</sup> Excluding the ethnic ratios for 23 GN divisions due to lack of data.

Source: Divisional Secretariat for district totals, ADB for coastal DS divisions.

6. **Impact of Ethnic Segregation.** Deep fractures have been created and ethnic segregation has led to setting up separate municipal governments, markets, or even bus stands. Ethnic tensions have been accentuated. The fishing industry has become highly segregated along ethnic lines. The conflict has resulted in a substantial loss of assets by the Tamil population, exacerbated by the problems and restrictions faced by Tamil fishers in their dealings with the military. Ethnic segregation is reinforced in many ways. Business establishments run by, or catering to a specific ethnic group, tend to broadcast their ethnicity by signs either in Sinhala or Tamil, in which relatively few people are fluent in both. There is a high incidence of disputes between members of different ethnic groups that can become violent. Communities that once lived together and cooperated in livelihood activities are now segregated and mistrust each other.

7. **Socioeconomic Profiles of Resource Users.** The PSA identified the different resource users in the project area: (i) the fishing population; (ii) fisher-farmers; (iii) farmers and buffalo/cattle herders; and (iv) micro/small entrepreneurs.<sup>7</sup> The PSA found the social structure in fisheries communities, the tenure system, and ownership of fishing assets to be very complex. Many households have multiple sources of livelihoods and boundaries among different types of resource users are not clear-cut. Significant differences occur between resource users in the marine and lagoon systems. The socioeconomic status and extent of poverty in marine fishing communities depend on ownership of fishing assets. Owners of large sea canoes had comparably more secure incomes than laborers and owners of fiberglass boats, despite high indebtedness due to capital costs of nets, boats, and engines, and are a relatively well-off group. Lagoon fisher men and women are among the poorest income groups because of generally poor catch sizes. Most lagoon households have to complement their livelihoods through migratory wage labor, microbusinesses, or environmentally destructive activities like sand mining or cutting of firewood for sale from forests and mangroves. Poverty in fishing communities is characterized by seasonality of incomes, compounded by an excess of fishing laborers and poor savings habits, with earnings in the high season often becoming repayment for debts incurred in the low season. High rates of alcoholism exacerbate the situation. Mixed forms of farming and fishing were practiced in some areas during the conflict, since fishers faced

<sup>7</sup> The detailed socio-economic profiles are in Supplementary Appendix G.

fishing restrictions while farmers did not have access to their fields, due to mining, the presence of army camps, and the crossfire between the LTTE and the armed forces. With the peace process lifting the restrictions, many people are going back to working as either fishers or farmers, rather than both.

8. **A Coastal Minority Group.** Small groups of coastal Vedda live scattered at the fringes of villages within the DS divisions of Eachilampattai/Muthur in Trincomalee district, and Koralai Pattu North and Koralai Pattu in Batticaloa district. The Government does not consider them as an indigenous community,<sup>8</sup> no separate statistics exist, and the Vedda themselves in most cases would not like to be considered as indigenous people because this leads to stigmatization and underscores their marginalization. They practice group-oriented hunting, gathering, and fishing. They have retained a number of cultural traditions while being partially incorporated into the market economy. They have experienced many centuries of assimilation and integration with the Tamil communities among whom they have resided. Their living conditions are extremely poor compared with those of their neighbors. They lack access to basic amenities and have high numbers of school dropouts. Child labor is prevalent. Alcohol abuse is considerable. In the PPTA focus group discussions, they identified lack of housing and basic infrastructure, insufficient income, alcoholism (among both men and women), dependency, inability to engage in traditional livelihood activities, and stigmatization as their major problems. Their present carefully balanced and extremely diversified livelihoods will not allow them to benefit immediately from the Project. Separate, more holistic project interventions and the recruitment of a nongovernment organization with demonstrated sensitivity in working with small minority groups will be needed to ensure socially and culturally sensitive, and targeted improvement of their living conditions. The proposed Project will not adversely affect the coastal indigenous people, but will ensure, through particular efforts, better outreach to this group. Thus, the preparation of an indigenous people's plan according to ADB's *Policy on Indigenous Peoples* is not necessary.

### C. Social Safeguards and Other Social Risks

Subject	Significant/ Nonsignificant/ None	Strategy to Address Issues	Plan Required
Resettlement	None	Community infrastructure interventions include constructing and rehabilitating of minor roads, culverts, drains, small-scale water supply and sanitation facilities, simple solid waste management schemes, and community buildings. Coastal fishing communities will also be eligible to receive simple fisheries support infrastructure. The selection criteria for community infrastructure interventions (Appendix 5) include the following: (i) The proposed infrastructure should be on public land, or where private land is involved, this must be voluntarily transferred at no cost to the Government. (ii) The proposed infrastructure should be on land free from habitation (and thus would not give rise to any displacement). The rehabilitation activities at the harbor sites will only be undertaken within the confines of the current harbor areas.	No, but resettlement framework prepared

<sup>8</sup> In the official statistics they are classified as Tamils.

Gender	Significant	During the conflict, the workload of women increased and role reversals occurred, but patriarchal values still influence gender relations. An inequitable gender division of labor continues to put additional strain on women in fulfilling supposedly male tasks. In addition, as a consequence of the conflict, high numbers of very poor households headed by females exist. The Project is classified Gender and Development.	Gender strategy and plan prepared
Indigenous Peoples	Not significant	Small but extremely poor and marginalized communities of indigenous coastal Vedda also reside within the project area. Separate livelihood interventions have been developed to ensure that the Vedda's specific needs are addressed in a socially sensitive manner. The Project will support a separate more holistic project intervention through a NGO with demonstrated sensitivity in working with small minority groups and ensuring socially sensitive, targeted improvement of their living conditions.	No
Labor	None	Employment opportunities will be available on an equal basis to all, irrespective of gender, ethnic, or religious groups.	No
Affordability	None	Project design pays particular attention to improving access of the poor and vulnerable groups to goods and services; project interventions are targeted at vulnerable groups.	No
Other Risks/ Vulnerabilities	None	The Project was designed with particular attention to ensuring equitable and inclusive social development, including the most vulnerable groups, with specific focus on different ethnic groups at the community level.	No