

**REVIVING LIVELIHOODS AFTER THE TSUNAMI:  
IDENTIFYING GAPS IN EXISTING PROGRAMS**

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## **I. INTRODUCTION**

This paper presents an analysis of efforts to revive livelihoods after the tsunami in Sri Lanka. Using a combination of findings from a village case study in Galle, analysis of existing statistical data, a study of NGO projects, and a literature-based study of the structure and dynamics of the rural economy in Sri Lanka, I examine the extent to which existing NGO programs to revive livelihoods actually meet the needs of the poor along the coast.

I analyze NGO programs on the basis of two goals that all organizations agree to be important: “building back better” (the subject of the current workshop) and the need to ensure some form of equity in development – within tsunami-affected communities, and between tsunami-affected people and other poor and marginalized in the country. It should be said at the outset that NGO programs are making considerable progress in helping revive livelihoods of tsunami-affected people; a recent report written jointly by the Steering Committee made up of representatives of the government (Ministry of Finance, National Planning Department and TAFREN), donor community (ADB, IFRC and UN) and civil society (CHA) confirms this: approximately two-thirds of people have regained some source of income (Steering Committee, 2005). However, preliminary findings suggest that vis-à-vis the goals of building back better, livelihood recovery programs could do more to address problems specific to the informal sector, youth, gender, and to cater to multiple dimensions of equity.

All findings are preliminary, and represent research work in progress. There are many caveats: first, the root causes of many of these problems I discuss are a function of the structure and dynamics of the rural economy, politics and culture in Sri Lanka. While I refer to some of these structural and political forces at play, a detailed discussion how and why these factors developed and shaped the local rural economy is beyond the scope of this presentation, and is the subject of a subsequent paper. The main goal of this paper is to present village-level livelihoods-related needs that NGOs can address through innovative program design.

Second, the village community I studied and upon which I base many conclusions is outside the buffer zone in the Southern region, and has a local economy dominated by small business. It is not a fishing village, nor is there any significant agriculture. The advantage of studying a community outside the buffer zone is that rehabilitation and reconstruction is already underway, and one can study the community in the very process of recovery (which is impossible to do in communities still living in camps inside the buffer zone). The limitations, of course, are that some of the issues within the buffer zone may be different; as would be issues within fishing and agricultural communities, and in the north-east. However, there is a trend towards diversification of incomes sources in rural areas in most of the developing world (Ellis, 2000), and in this context, small business development is playing an increasingly important role. Understanding the dynamics of and issues surrounding small business development therefore has ramifications not only for tsunami rehabilitation, but for rural economic development programs in general.

Third, while I present statistical data, based on a survey I conducted in the village of Muhudupitiya<sup>1</sup> in Galle district, this data in and of itself cannot be considered representative of anything except the particular community I studied. Where relevant, I have placed the numbers from my village study in the context of statistics for Sri Lanka more generally, or used the numbers as part of theoretical and/or qualitative arguments, where the qualitative nature of the argument is far more relevant than the actual numbers themselves.

Finally, my overview and analysis of NGO projects is not comprehensive, as that research is still in progress. To date I have researched the activities of 24 different organizations. Even amongst these, I have not had the time to conduct a detailed study of all the documents that NGOs have shared with me.

A word on my methods: While arguments presented in this paper are based largely on the results of a survey, this survey was “embedded” in an ethnographic study of village life in Muhudupitiya after the tsunami. I lived in the community I was studying for a period of one month. I have, over the two months subsequent to my stay there, returned every second week for a few days at a time to conduct more research. In addition to the survey (based on a random sample of households in the village), I conducted focus group discussions, had many interviews and informal “chats” with various community members, attended village society meetings, and immersed myself into village life as best I could. Since my Sinhala skills are basic, I was accompanied by a female research assistant the entire time.

This paper is structured as follows: the next section of this paper presents a general overview of the types of income-recovery programs being planned and/or implemented by NGOs in tsunami-affected regions. The third section provides some background information on Muhudupitiya. The fourth section is a discussion of livelihood-related needs that NGO programs could better address; an analysis of these needs and their underlying causes is based on my study of the village community in Galle, but where possible, presented in a broader context of economic development needs and challenges in rural Sri Lanka. The fifth section provides recommendations to NGOs on ways to meet these needs, using examples wherever possible of innovative projects and programs that already exist. The last section consists of some concluding thoughts.

## **II. OVERVIEW OF NGO PROGRAMS TO REVIVE LIVELIHOODS AFTER THE TSUNAMI**

There are a huge variety of organizations working on reviving livelihoods after the tsunami. According to a recent report, at least eight ministries and over 100 international and national organizations are involved in livelihood restoration activities. Over SLRs.12 billion (US\$ 126 million) has been committed to livelihood recovery activities (Steering Committee, 2005). As diverse as the organizations are the range of livelihoods-recovery programs they offer. At the same time, they share some general features. Here, I summarize these programs into broad categories:

1. *Cash-for-work*: These are typically short-term employment programs, where people are paid a daily wage for cleaning and re-construction work.
2. *Replacement of livelihoods-related assets destroyed or damaged by the tsunami*: Here people who lost some physical assets essential for their livelihood (e.g. fishing boat, sewing machine, coir machine, seeds and fertilizer, tools, etc.) are provided with a replacement. Sometimes, people are provided with equipment that is more modern, or in some way better than what was lost. Sometimes, they are also provided with additional equipment (which they did not own before the

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<sup>1</sup> Muhudupitiya is an assumed name, in order to protect the identities of the participants in this study, who shared considerable confidential information with me on subjects such as personal income and debt, social problems, their views on NGOs, and village politics.

- tsunami) but which helps improve their business. e.g., in Muhudupitiya, an owner of a small shop/restaurant received a refrigerator, which he did not have before the tsunami.
3. *Cash grants*: These comprise of cash grants to people to purchase replacements for equipment lost in the tsunami.
  4. *Training*: There are a huge variety of training programs on offer. They include entrepreneur, management, accounts and business development training, a wide range of vocational and skills development programs, quality control and marketing training.
  5. *Micro-credit*: These take the form of low interest loans to tsunami-affected people wishing to start, or restart some enterprise.
  6. *Infrastructure development*: Some NGOs and UN agencies are (re)building infrastructure necessary for people's livelihoods, e.g. reconstructing fishing harbors, building marketplaces and shops, building roads.
  7. *Market facilitation*: This involves helping people manufacturing products connect with appropriate markets, e.g. connecting producers of handicrafts with tourist shops in large hotels, or with retailer in the big cities and overseas.
  8. *Organizational strengthening*: These programs target production organizations like cooperatives and unions, as well as small NGOs, microfinance agencies and government departments and agencies. They strengthen and build capacity in existing institutions like a fisheries cooperative or street hawkers union, and/or encourage and enable the formation of new production cooperatives and societies. They sometimes also provide support in the form of office equipment and management/capacity training to NGOs, microfinance agencies and government.
  9. *Advocacy*: There is very little advocacy work on livelihoods as such, but a lot of advocacy work on issues that affect livelihoods, such as the buffer zone issue.

Of these various areas of work, the majority of NGOs I interviewed are focused on replacement of livelihoods-related assets, training, and micro-credit<sup>2</sup>. To a lesser extent (in terms of numbers of organizations working in a particular area), there is activity in the areas of market facilitation, infrastructure development and organizational strengthening, and to an even lesser extent in the area of advocacy. Cash-for-work programs abound, but these are largely seen as short-term programs; while acknowledging their importance and contribution, I do not cover these or infrastructure development programs in my analysis. Only one NGO I visited provides direct cash grants – such programs are conducted mainly by the government.

### III. VILLAGE BACKGROUND INFORMATION

- The village of Muhudupitiya, in Galle district is comprised of 616 families. It covers 2 Grama Niladari Divisions.
- The tsunami killed 36 people in this village, and destroyed 168 houses completely, while 27 were damaged and unusable, and 197 were damaged, but can be used to a greater or lesser extent (Department of Census and Statistics, 2005b). The vast majority of homes are outside the buffer zone, which has allowed for reconstruction and rehabilitation to proceed.
- In my survey of randomly selected households, I covered 60 households, and obtained data on 97 families and 161 people who were employed in some capacity or the other before the tsunami.
- 55.3% of respondents were women, 44.7% men.

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<sup>2</sup> As this research is a work in progress, this claim is based on an overview of my interview notes; I have not had the time to review in detail and quantify all the various sub-programs of NGOs where I conducted research.

- Education levels vary greatly, but reflect the trend that increasing numbers of people are completing secondary school (see table 1). In the sample as a whole, 28.7% of the income-earning population has completed A-levels, and 22.4% has completed their O-levels (but not their A-levels).

Left school before...	% of income-earners in sample below 25 years of age	% of income-earners in sample above 25 years of age
Completing O-levels	28%	53%
Completing Grade 5 (or lower)	5%	26%

Table 1. Education levels by age group

- In terms of pre-tsunami occupations, the majority of the population is part of what is commonly known as the informal sector. There are various definitions of what comprises the informal sector. The Fifteenth International Conference of Labour Statisticians (ICLS) in 1993 defines the informal sector as consisting of production units that "typically operate at a low level of organization, with little or no division between labour and capital... and on a small scale.... Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees." (International Labour Organization, 2005) The informal sector is characterized by typically low incomes, sporadic earnings, little or no social security and pensions, and poor, if any, political representation. 75% of the workforce in Muhudupitiya is in this sector (the remaining have jobs in government or the formal private sector). I further categorize this sector by employment status as follows:

- *Self-employed:* This is the largest group, comprising 63% of the informal sector workforce. They consist of people who produce or trade in some good or product, typically from their home, and sell this product on a per-unit basis (this is to say, they are paid for the product, and not a wage for their labour). They do not employ other people. This group includes coir workers, tailors, carpenters who produce a good (e.g. furniture items) for sale, retail shop owners who do not employ others, etc.
- *Employees/labour:* This group comprises 23% of the informal sector workforce. They are paid a daily wage for their labour, and rarely have work all days of the week. They include general labour (which moves from one industry to another looking for work), masons, carpenters and electricians who work on construction sites, fishermen who work on others' boats, etc.
- *Employers:* This group comprises 14% of the informal sector workforce. They run an industry or business which employs other people. This group includes lime business owners, exercise book manufacturers, retail shop and garage owners which hire other people, etc.

- In terms of specific occupations, I counted 48 different jobs amongst the 60 households I surveyed. The most common amongst these are: making or trading in rope (29% of the population surveyed is involved in this activity), all activity associated with the manufacture and selling of lime (22% of the population surveyed works in the lime industry - this includes digging for coral, transporting coral, working at the kiln, transporting and selling lime), tailoring, and making exercise books.
- The lime industry – which involves the slow “cooking” of coral in large kilns to make lime used in the construction industry – was a major industry along most of the Galle district coast line, and also employed many people in Matara and Hambantota. The tsunami has effectively destroyed this industry. Not only were many kilns destroyed or damaged, but the government has begun to enforce a ban on mining (at sea) or digging (on land) for coral, which has made it very difficult for the industry to source its basic raw material. In Muhudupitiya, about 20 lime kilns are now lying unused.

- 32% of the households surveyed have a per capita income below Rs. 1,800/month. 83% of these low-income households have a primary income earner who is in the informal sector self-employed or employee/labour category. Rs. 1,800/capita/month is the current official poverty line for Sri Lanka<sup>3</sup>, but is measured in terms of per capita consumption expenditure, as opposed to income (which is what my data is based on). It would therefore not be correct to say these households are living below the poverty line. At the same time it gives some indication of the poverty situation in the village. The Headcount Index for poverty in Sri Lanka, for reference, is 23% (i.e. 23% of the population lives below the poverty line) (Department of Census and Statistics, 2005a)

- 55% of households surveyed were in debt before the tsunami. The single largest provider of loans is the private moneylender. See table 2 for breakdown of debt by source. Of the total sample in debt (before the tsunami), 31% have taken loans for improving or starting a business. All the other people in debt are using the loan for some form of consumption expense – to buy land, to build or repair a house, for medical emergencies, for daily consumption needs, or for miscellaneous expenses like purchasing a music system, or for a daughter’s coming-of-age party.

Source of loan	No. of households	% of households in debt
Non-governmental organization	6	18.2
Samurdhi	6	18.2
Other government bank	7	21.2
Private person - money lender	9	27.3
Private person – relative	2	6.1
Private bank	3	9.1
Total in debt	33	100
Not in debt	27	
Total households	60	

Table 2. Breakdown of debt by source

#### IV. ANALYSIS OF LIVELIHOODS-RELATED NEEDS

This section is organized as follows: I discuss livelihoods-related issues related to the needs of the informal sector, youth and gender and then briefly discuss the topic of equity. The key thing to point out right at the start is that these are by no means exclusive categories; rather, the needs are more often than not cross-cutting, e.g., for a young woman employed in the informal sector, the needs pertaining to the informal sector, youth and gender are all relevant to improving her livelihood situation. The last topic – multiple dimensions of equity – is an overarching issue that relates directly to the need for some mechanisms which allow NGOs to provide for equitable development.

Within each topic area, I discuss the nature of the problems and needs, and demonstrate how people in these sectors may be falling through gaps in livelihoods recovery programs. In the next section I provide recommendations on how programs can be re-focused to meet these needs, drawing on examples of innovative programs that already exist, wherever possible.

As I mentioned at the start of this paper, several of the issues I discuss here have root causes that have to do with policy, political and economic structures prevalent in Sri Lanka; however, at this stage of my research, and for the purpose of this (already too long) paper, I do not discuss these subjects.

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<sup>3</sup> According to the Department of Census and Statistics (2005a), the estimated poverty line for the year 2002 (which is the latest year for which published data is available) is Rs. 1,423. However, in a recent presentation at a CHA Coordination Meeting on November 21, 2005, Dr. Nanayakara of the Department of Census and Statistics reported the latest current poverty line, adjusted for inflation and other factors, to be Rs. 1,800.

Nevertheless, many of my recommendations suggest ways that such structures can be changed “from below”, with the help of NGOs.

### ***The informal sector***

Both the village case study and data from the Central Bank reveal that the majority of people in coastal villages are in the informal sector. In Muhudupitiya, 75% of workforce is in this category. According to the Central Bank, 76.7% to 79.7% of the workforce in tsunami-affected provinces is in the “informal private sector.”<sup>4</sup> In Sri Lanka as a whole, 75.5% of the workforce is in the “informal private sector.” (Central Bank of Sri Lanka, 2005) Globally, this sector is a major contributor to employment in much of the developing world (International Labour Organization, 2000; Levenson and Maloney, 1988).

These people, typically, are at the bottom of the heap amongst income-earners. Table 3 shows the break-down of monthly income for the self-employed, employees/labour and employers in Muhudupitiya. Read another way, the numbers show that 76% of the informal sector self-employed group, and 74% of the employees/labour earn individual incomes below Rs. 5,000 a month. Amongst this latter group, labour which used to work in the lime industry used to earn as little as Rs. 150 a day; these people also rarely have work for more than 3-4 days of the week. People in this sector also have little social security or pension (with the exception of Samurdhi), are not members of unions and in general are the least-protected and most vulnerable sector of the rural economy.

<b>Monthly income (individuals)</b>	<b>Self-employed</b>	<b>Employees/ Labour</b>	<b>Employers</b>	<b>Total</b>
<b>Up to SLRs. 5,000</b>	46%	18%	0%	64%
<b>SLRs. 5,001- 8,000</b>	7%	12%	3%	22%
<b>Above SLRs. 8,000</b>	3%	0%	11%	14%
<b>Total</b>	56%	30%	14%	

Table 3. Breakdown of individual income by category in the informal sector

“Building back better” may not be a reality for some people in the low-income informal self-employed and employee/labour sectors for the following reasons:

*Most people in the employees/labour category have no assets to replace:* Asset replacement programs therefore do not improve their lot.

*For those returning to their pre-tsunami work, the work place environment and income for people in the employee/labour category remains largely unchanged.*

There are many workplaces which are unsafe or unhygienic for workers – in Muhudupitiya, the lime industry is a prime example. Other examples include timber sawing mills, carpentry workshops, garages, large-scale kitchens, abattoirs. While supporting the restoration of these workplaces benefits the employer, it restores the employee or labourer to the same workplace situation he or she had before the tsunami. It also restores him or her to the same income. In Muhudupitiya, a fireworks manufacturing workshop employed about ten people before the tsunami. It was fully destroyed in the tsunami. One NGO provided the owner with a large temporary wooden shelter, which he has effectively converted into a new factory. He took a loan for the materials and equipment, and now employs about four people to make fireworks in a highly hazardous environment. He recognizes the

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<sup>4</sup> This number was calculated from the Consumer Finances and Socio-Economic Survey of the Central Bank, and presented by Ms. Bandaranaike of the Central Bank at a CHA Livelihoods Forum on November 21, 2005.

need to build a permanent structure, but is unwilling to take a large loan until his business has revived sufficiently, and he has paid off his current loan. In this situation, both the employees/labour and the employer are working in a more dangerous environment as compared to before the tsunami.

*Previous debt is a hurdle*

In Muhudupitiya, 49% of households with prior debt where the primary income earner is self-employed or employee/labour are not interested in taking a new loan. Microfinance programs are therefore not likely to benefit them. The flip side of this is that 51% of those in debt wish to take a new loan (or have already applied for one), which should be worrying to NGOs and microfinance agencies, as it is likely that some of the new loans will be used to pay off existing debt (especially debt to moneylenders), rather than start some enterprise.

*Requirements of some programs can be a hurdle*

- Business plan preparation may discourage those with a low education from participating: Many microfinance and other livelihoods recovery programs require people to prepare business plans (with assistance from the NGO). While nobody admitted so much to me directly in the course of my research, it became clear to me that many labour-class people with low levels of education have some difficulty in reading and writing easily. In Muhudupitiya, 67% of the informal sector self-employed and employees/labour have not completed O-levels; 31% have less than a grade 5 education.

In the course of my research, people's difficulties with reading and writing became apparent because one question on my survey form involved the respondent ranking a set of options in order of his/her priority. I quickly noticed that many people with low levels of education had a difficult time reading – in Sinhala – and preferred if my translator read out and marked the options for them. People with low levels of education and poor reading/writing skills are reluctant to participate in exercises which involve the production of business plans, especially when surrounded by better-educated and skilled participants at livelihoods and entrepreneur training programs. One informal sector labourer said to me, *“those programs are not for people like us. Those are for educated people only.”* He was referring to an entrepreneur development and loan program being conducted by an NGO for tsunami-affected people.

- GN and other government officers' approvals can also be a deterrent: Some loan programs also deter poor people from applying because they require applicants to obtain signatures, or character certificates from one or more government servants in the village (most often, the Grama Niladari, or GN). This can prove to be very difficult for poorer people. In the GN's defense, one can understand that from his/her perspective, he/she is unwilling to sign off for somebody who may not have the capacity to repay (in the view of the GN, at least). Second, while we assume that the GN is local and knows all the people in his/her community, this is not always the case. In the community where I conducted my research (which spans 2 GN divisions), both GNs only arrived after there the tsunami. Local NGO employees who have been working in these communities long before the tsunami seem to have a much better knowledge of the local community than the new GNs. This may be an isolated case, or may be more common than we might think. At the least, it is an issue worth exploring further, as it might also deter the GN from certifying loans for people he/she barely knows.

Some GNs are also less honest than others, and in Muhudupitiya, it is alleged that one of the two GNs demands a “fee” for his signature, which is yet another deterrent to a poor person trying to apply for a loan.

These issues of previous debt and program requirements may help explain the findings of the Steering Committee report that the SME/microfinance sector has failed to reach many entrepreneurs, and have scarcely reached any new customers (Steering Committee, 2005).

*Lack of sufficient attention to developing market linkages make it difficult to “build back better”:*

Barring a few exceptions, NGO programs for economic recovery after the tsunami cater largely to the production-side of small enterprise development, and are weak on market assessment and development aspect. That is to say, many NGOs are handing out equipment like sewing machines, rope-making machines, etc. but have a poor understand of the nature of the market for these products. This can lead to the following outcomes:

- For self-employed, asset replacement & new asset provision sometimes returns them to same or worse income position, as compared to before the tsunami:

Many of the informal sector small enterprises that NGOs are supporting currently have a restricted local market. That is to say, for a variety of reasons, a woman sewing clothes or making string hoppers at home, has a market limited to the local community. Sometimes the reason for this is quality and style – without adequate training and marketing capacity, clothes sewn by women at home in their village are not likely to compete with the fashionable, and cheap clothes coming out of the garments factories. The key issue here is that given that the majority of people in a given village are poor, the local market for many products is likely to be very small, which may keep the entrepreneur in the same low-income situation he or she was in before the tsunami.

The other problematic dimension of small enterprise development programs is that after the tsunami, the number of women with sewing machines, coir machines or string hopper makers, or the number of men with carpentry tools or small shops has dramatically increased. In Muhudupitiya, at least 2 new grocery shops have opened up after the tsunami, although incomes have ostensibly fallen since the tsunami. Virtually every single house has a coir machine; several have more than one. While I was in the village, I heard of at least three different local events for distributing sewing machines to women. Such activity affects not only the local market – a function of increased supply in a restricted demand environment, as in the case of the grocery shops – but also the bigger market: the price of rope is reportedly falling due to a glut of supply.

Without assured market access, people can sometimes spend more than they earn trying to peddle their wares. A lady in Muhudupitiya who makes sweets has no regular buyer. She hires a three-wheeler, and spends as much time as it takes visiting shops in a nearby town, trying to convince them to buy her sweets. Depending on how much time and distance she has to cover to sell her sweets, she can sometimes end up paying her entire profit to the 3-wheeler driver. Further, if now, because of tsunami livelihoods recovery programs, there are 10 times as many women in the villages near this town making and selling sweets in town, it is going to be even more difficult for each of these women to find their market, as the demand for sweets in town is not likely to suddenly increase in proportion to the supply.

- Designs and quality do not always meet demands of market: Everybody – including people living in villages - likes nice things, and improving standards and quality of village-made products is an important need. In Muhudupitiya, the only woman who makes a decent income – in the range of Rs. 5000 per month – from sewing clothes is from a wealthy family (all other seamstresses reported incomes from sewing in the range of Rs. 500-1,500 a month). She received training in making bridal wear from a very expensive private training institute in a large city, and so is in hot demand for her services in Muhudupitiya and neighboring villages. Unless other women receive training in design and sewing that match the standard of this bridal wear designer, it is unlikely they will be able to compete with her.
- Some markets are controlled by cartels or middlemen who make the largest profit: The coir industry is a good example of this; in Muhudupitiya, the contrast between the income of a middleman collecting, transporting and selling rope, and that of a maker of rope is striking: I befriended a “rope middleman” who told me he makes about Rs. 25,000 a month in profit;

compare this to the Rs. 500-2000/month on average that women reported to make from converting coir to rope (the maximum any woman reported to earn from making rope was Rs. 5,000).

- Lack of market information increases risks for new entrepreneurs: Providing assistance in linking to markets is very important for people starting out in new professions, as they are entirely new to the entire sector. Even if they are not new to the sector, awareness about markets can often be low in some sectors of self-employment. In Muhudupitiya, very few women who made rope could tell me where the rope ended up (the exceptions were those few who were members of a coir cooperative – more on this in section V). They only knew the local businessman who came to their house to purchase the rope, or the local gunny bag-making factory in the neighboring village where they took the rope to sell. A rope tradesman told me that most of the rope and rope bags were eventually purchased by large established companies, but this information was unknown to the women making the rope.

Many NGOs recognize these problems, although a representative from one NGO focused exclusively on livelihoods programs told me that they did not do much market linkage work, as that was “too much hand-holding.” In general though, several efforts are underway to try and improve market linkages and quality, these are discussed in section 5. Increasing the emphasis on market linkages and quality will also help reduce problems caused by imbalanced supply and demand situations.

In addition to working on market linkages, helping the informal sector self-employed and employees/labour out of poverty requires a strategy than addresses issues like minimum wage, political representation of their interests, worker safety, security and pension. Such issues are well articulated in the formal labour sector, like the garments industry, and amongst government employees, but this is not the case in the informal sector. The fact that almost 80% of the working population in coastal provinces of Sri Lanka is in the “informal private sector” is a function of the structure of the Sri Lankan economy, and how the economy has evolved, especially after structural adjustment policies were introduced in the 1980s. However, this does not mean that there is nothing NGOs can do to change things; rather, changing structures “from below” is precisely what most NGOs are trying to do.

### ***Youth issues***

Youth unemployment and underemployment in Sri Lanka is a pressing social, economic and political issue. Table 4 demonstrates the high underemployment and unemployment rates amongst youth in Sri Lanka.

Underemployment/ unemployment as % of labour force	Age Group		
	15-18 years	19-24 years	25-34 years
Underemployment rate	18%	15%	19%
Unemployment rate	36%	39%	9%

Table 4. Underemployment and unemployment rates for youth. *Source.* Central Bank, 2005

The problem of unemployment is not unique to Sri Lanka; a recent study by the Asian Development Bank states that jobless growth continues to plague Asian countries (Asian Development Bank 2005). This is true even for countries with high rates of economic growth. The study says that lack of productive work and less than fair wages are the key reasons why million of Asians continue to live in poverty.

In Sri Lanka, this problem is compounded by the fact that most young people have relatively high education levels when compared to their parents. Their relatively high level of education, combined with exposure to the tourist economy along the coast, makes them have aspirations which are not dissimilar from what young people in the big cities like Colombo may have.

In the course of focus group discussions and individual dialogues with young people in Muhudupitiya, I could not find one young person (below 30 years) who said they wished to do the same work as their parents. Unsurprisingly, this is especially true for youth whose parents are daily-paid labour; but surprisingly, it is also true for youth whose parents have a small business. One of the reasons for this could be social status – young people universally agreed that one of the main reasons for having a good job (besides having an income) was to have a good social status in the community. One boy whose father operates a small shop told me “working with my father is boring and reduces my image”. Out of a total of 26 people who participated in focus group discussions, only two said they were interested in any form of self-employment. The majority are aspiring to jobs in private companies, the tourist industry, or overseas. Programs focused largely on self-employment therefore do not adequately address the aspirations and needs of youth.

The employment problem in Sri Lanka is, of course, not easy to fix. The issue, once again, is largely a structural one. Historically, the country has seen little industrial development, and issues like the civil war and the nature of investment flowing into the country have resulted in low levels of job creation. At the same time, a combination of poor government policies, market liberalization and land fragmentation is making agriculture an unattractive option for young people. According to a Central Bank report (2005), only 1.4% of the unemployed in Sri Lanka want a job in agriculture or fisheries.

There are efforts to help young people find employment, however, many are focused on the demand-side (targeting job seekers), and tend to be weaker on the supply-side (i.e. the creation of what the ILO calls “decent work” opportunities). One example is the development of Jobsnet, an ILO supported project being implemented by the Ministry of Employment and Labour. Jobsnet is an online job database, where potential employers and employees are matched up through an automatic process. However, projects such as Jobsnet and other job banks and databases are superficial treatments of a much deeper problem: this is amply demonstrated by the Jobsnet own website, which states that their database contains profiles of 119,456 jobs seekers and had only 4,387 open jobs listed (Jobsnet, 2005). This essentially means that at best, about 4% of the job seekers listed will find jobs through Jobsnet.

Creating jobs requires some investment. Attracting investment calls for the right policies and enabling environment, which are largely functions of government. However, this does not mean that there is nothing the NGO community can do. Well-designed local efforts can create the stimulus for more investment into sectors of economic activity that generate employment; I provide some examples of such activities currently underway in section 5.

### ***Gender issues***

Almost all NGOs with livelihood programs claim they are paying explicit attention to gender issues; some are focused exclusively on women’s livelihood needs. At the heart of this issue, however, is how we understand the very concept of gender. The vast majority of NGO programs seem to interpret gender and livelihoods as helping women to continue to do what are traditionally seen as “women’s activities”.

Unfortunately, many of these activities ensure that women are trapped in relatively lower income work as compared to men. In Muhudupitiya, 69% of all working women have a monthly income less than Rs. 5,000, as compared to only 33% of working men having monthly incomes less than Rs. 5,000. At the top end, 27% of working men have monthly incomes above Rs. 8,000, compared to 11% of

working women (the majority of who work as housemaids overseas). This is hardly surprising; for Sri Lanka as a whole, the ratio of mean income for men/women is 1.6 (Central Bank of Sri Lanka, 2005).

The most common income-generating activity carried out by women in this village is making rope from coir (63% of working women I surveyed are involved in this activity). The income from this activity ranges typically from Rs. 500/month to Rs. 2000/month, and involves repetitive, manual labour for many hours of the day. There is also little hope of ever increasing ones income from this activity; there are only so many hours of the day one can devote to the manual making of rope. Further, while men can expand this business by becoming middle-men who transport the rope, driving a vehicle is exclusively a male-dominated activity, which means this option is not open to women. As I already discussed in a prior section, the contrast between the incomes of a middleman collecting, transporting and selling rope, and that of a maker of rope is striking.

In terms of employment opportunities outside the home, women have very restricted options. Most major industries along the coast are male-dominated (construction, tourism, fishing); the sole exception being the garments industry. Working in a garments factory is not the first choice for women; there is considerable social stigma associated with sending ones girls to the free-trade zones (for a good discussion on gender and social dimensions of the garments industry see Lynch, 2002). The tourist industry is also not considered an appropriate place for young girls to work; tourism is associated with alcohol, drugs, sex and late nights. When I asked young people about the prospects for girls to work in tourism, boys and girls universally agreed that it was inappropriate for self-respecting young women to work in this industry.

The most lucrative source of employment for women is as housemaids overseas, specifically in the Middle East. Amongst the households I surveyed, one in six had female members who currently, or at some point in the past had worked as housemaids overseas. While this job guarantees handsome remuneration, there are many social problems associated with women leaving their families, not to mention problems associated with fraudulent agents and abuse at the hands of employers overseas (for an excellent overview of problems faced by Sri Lankan housemaids overseas, see the recent New York Times article by Amy Walden, 2005) .

This brings us back to our understandings about gender. NGO programs may be helping women generate some income based on what are traditionally seen as women's activities, but on the whole, the majority does not seem to help a) break gender stereotypes and create more and new opportunities for women to generate income and b) improve their income situation vis-à-vis men. I would argue that these are the two main livelihoods-related needs for women, which are currently not being adequately addressed. If our concept of gender encompasses women's empowerment, and a notion of changing their current status in society vis-à-vis men, achieving at least one of these two goals should be a priority.

As always there are exceptions to the rule; some NGO programs are making excellent efforts into improving gender disparities – see section 5 for some examples.

### ***Multiple dimensions of equity***

This issue is an overarching one that relates directly to the question of how equitable livelihoods recovery programs really are, since “choosing” some people to be beneficiaries effectively means not choosing others.

As I already mentioned in the discussion on the informal sector, programs that are focused on replacing equipment or providing loans do not necessarily benefit people in the employee/labour informal sector. In Muhudupitiya, the majority of the informal sector unskilled labour worked in the lime industry. Since the tsunami, the government ban on mining coral is being enforced. The industry has effectively shut down as a result. While owners of the lime kilns have access to programs which

help them re-tool, re-train and take loans to start new businesses, the labour does not. For example, one man I met was hired as a driver to transport coral in somebody else's Landmaster before the tsunami. Since his own home was not affected by the tsunami, and he did not own the Landmaster (which was lost in the tsunami), he is now effectively unemployed. Often, the new industry that the former lime kiln owner starts does not employ as many people – for example, many lime kiln owners are taking to the production of exercise books – on average, businessmen producing exercise books employ only two people, whereas a lime kiln owner employed four.

The equity dimension plays out in many other ways: in Muhudupitiya, there are many families whose homes or livelihoods were not affected by the tsunami, but they were poor before the tsunami, and continue to be poor. They bear a lot of resentment towards NGOs that seem to ostensibly only help the better-off (i.e. those with tools and/or businesses before the tsunami) in their villages.

There are also questions regarding equity in opportunities available to gender, which I already discussed above.

Finally, there are questions about focusing so much money and effort on the coast, when other districts like Moneragala and Badulla are poorer. NGOs acknowledge this problem, and a few are expanding the scope of their projects to include the entire tsunami-affected district (rather than only coastal villages). But most NGOs admit that the funds have come earmarked for tsunami rehabilitation, and have to be used for such.

Resolving the beneficiary selection and equity problems are not easy, I recommend a few possible avenues that may help alleviate these problems.

## **V. RECOMMENDATIONS**

As all the issues presented in the previous section are cross-cutting – that is to say, changing the gender balance can also have positive ramifications for the poor in the informal sector, or the right kind of entrepreneur development can help create jobs for youth – I do not categorize recommendations according to specific issue areas. Rather, I list them as action items, and wherever possible draw on examples of existing programs and projects to illustrate the recommendation.

### **1. *Identify and develop economic activities that are job-intensive, and which cater to some demand in the local market, and/or can compete in the international market while simultaneously creating decent work for people***

One excellent example of this is a “community tourism” initiative being developed by a large local NGO. Tourism is one of the fastest growing industries in the world, and many tourists are looking for “alternative” holidays. Sri Lanka is an excellent tourist destination, with outstanding natural beauty, and a well-preserved architectural and cultural heritage. The idea behind community tourism is that rural communities develop facilities to cater to tourists who are looking for something different, or to the thousands of people who like to volunteer in developing countries. Such an initiative could also help solve the equity problem if community tourism initiatives are simultaneously developed in coastal and inland villages (close to sites of natural or cultural beauty). It could also help move tourism from being a big business, environmentally-unfriendly activity, to a more socially and environmentally-sensitive industry, with the benefits going to communities rather than large corporations.

To develop the community tourism initiative would call for training programs for village people to enable them to cater to tourists, as well as English and other language training courses so people can communicate.

## **2. *Transform existing low-income work opportunities into activities that add value and help improve incomes***

Many of the livelihood opportunities along the coast involve the production and/or retail of a natural product, with little if any value-added processing. Examples of this include catching and selling fish, making rope, making lime from coral, sawing timber, growing and/or selling paddy, fruits, vegetables. Such activities earn little for the primary producer or seller, and profits are typically captured by the middleman, or by the entrepreneur who adds value to the natural product in some way, by processing and/or packaging it.

If the primary producers and retailers could be trained to add some value to the natural product, this could improve their income situation. Such activities could include production of processed foods like jams, canning and/or processing of fish, manufacture of mats, bags and other products from coir, production of yoghurt, etc.

These types of activities could be encouraged on an individual basis, or as a group industry activity. In the case of the former, women trained to make finished products from coir could sell them on a piece basis, for example. The activity could also be organized as a small industry involving several people; women could take turns converting coir to rope, and then producing the handicraft.

One NGO has an innovative project where they are training people in a fishing community to produce “fish aembultiyal,” a local fish preserve, spiced and packaged into earthen pots. The NGO is currently exploring the possibility of selling this product in supermarkets in the cities, under a special “produced by tsunami-affected people” brand.

Such projects could also promote equity if they “link” an agricultural producing region inland with a processing unit on the coast.

## **3. *Improve workplace safety and environment***

NGOs can provide assistance to people running small industries which employ other people to improve the workplace environment, and provide them with efficient/better equipment, in exchange for the employer paying better wages, and maintaining certain safety and hygiene standards. Workers and employers alike could be trained on safety, as well as worker and employer rights and duties. Most NGOs involved in rebuilding public infrastructure are “building back better”; for example, one NGO is building a fish market with various modern amenities. The same kind of improvements should be extended to private workplaces, and combined with education campaigns.

## **4. *Organize informal sector and support advocacy efforts***

Organizing informal sector workers into societies, unions or cooperatives, and training them on worker rights and advocacy could help improve their situation, and make them more visible in local and national politics and policy-making. Such groups could conduct advocacy for better wages, job security and pensions. One NGO in Galle has organized street vendors in Galle into a federation. Through the federation, the members have been able to lobby the local authorities for a permanent place to locate their stalls; they have also started a savings account. The same NGO is now planning to start a labour association, a carpentry association, a handicrafts association and a masons association. On a larger scale, the ILO is in the process of launching a program to mobilize trade unions and organize informal sector workers; this program however is in its very initial stages. Such activities could also help solve the equity problem, if they help bring informal workers from inland and coastal areas together. However, even the ILO acknowledges difficulties in carrying out tasks such as designing effective social protection policies for workers in the informal economy (ILO, 2000).

On the advocacy side, NGOs could take up issues like workplace safety, basic rights, minimum wage, and social security for the informal sector. International groups could also conduct advocacy in the

west for corporate social responsibility in companies purchasing goods that are produced by the informal sector.

**5. *Adopt “market pull” approaches instead of “product push” approaches***

Even those NGOs which are focused on helping develop market linkages adopt what one can call a “product push” approach. That is, they first support people in producing a good or service (often one that the people have some prior experience in producing), and then look for buyers and markets. e.g. some NGOs help people make handicrafts and then organize a trade fair, hoping the goods will sell. While this is one approach to marketing, it is not the only one. An alternative approach is to start with the market. i.e. first conduct research in places like supermarkets and other retail outlets and wholesalers in Sri Lanka and overseas, and find out exactly what they are looking for and are willing to purchase. Then work backwards and help rural people produce the goods.

**6. *Conduct thorough market research for any and all livelihood sectors being supported, and ensure program beneficiaries can access, and cater to the demands of that market***

NGOs need to gain a thorough understanding of the size and scope of the market for any good or service their project beneficiaries are producing. This includes understanding quality and design requirements of the market. One NGO has brought in quality and design experts from a garments factory to advise and train women seamstresses. The garments factory has expressed some interest in purchasing the clothes produced by these women. A professional American woman I met is working through a local NGO to identify producers of fine lace. They produce high quality lingerie, which is exported, through channels established by this lady, to high-end boutiques in the U.S.

**7. *Support the development of marketing cooperatives***

A few NGOs have projects to support the re-invigoration of the fisheries cooperatives. One NGO has organized its members into producer societies (agriculturalists, food processors, textile producers, livestock producers, etc.). However, very few NGOs seems to have any program for developing marketing cooperatives. Marketing cooperatives which purchase products from its members, and sell them wholesale, could help strengthen market links, and provide better prices to producers. NGO could research the potential and prospects for marketing cooperatives, at the very least.

One group has organized the coir workers into the equivalent of marketing cooperatives. The NGO itself buys the raw material or finished products (like mats), and has a small export market that it supplies in Europe and the U.S. The NGO claims to have 6,000 members, 95% of who are women. Their members seem to have a better income (in the range of Rs. 5,000-6,000 for raw rope, and more for finished products like mats) as compared to the coir rope producers I met who were not members of this cooperative. The NGO itself has been self-financed for several years (until the tsunami); the organization keeps a small percent of revenue from sales for its own overheads.

Another established local NGO with a large membership base has helped to establish marketing networks, where they link wholesalers, retailers, and producers in a given sector, e.g. cinnamon. The NGO facilitates the formation of agreements between the different parties, and helps them enter into forward market contracts.

Yet another large international NGO is also planning a program designed to improve market access for small-scale producers. This program is still in its design phase, and will target coir workers, amongst other sectors. This program is interesting because the NGO works at multiple levels – they conduct advocacy in international forums like the WTO for fair trade, and simultaneously assist small producers like the coir workers in Sri Lanka in navigating international markets in this globalized world.

**8. *Develop programs that encourage women to participate in traditional male occupations***

A few NGOs insist on a minimum percent of female participation in their livelihood programs, including cash-for-work programs. One NGO insists on a minimum 40% female participation in vocational training programs which are traditionally male domains, like welding, 3-wheeler repair, and electrical work. The program has been highly successful in helping women not only learn these professions, but in establishing them as entrepreneurs after the training is complete.

**9. *Improve industries that are traditionally dominated by women***

For example, train and organize women who make rope to produce good quality mats, bags, and other finished products. Or like the examples given in point 5 above, help women seamstresses and lace producers improve their designs and quality, and enable them to connect to good markets.

**10. *Link coastal village development programs with similar programs inland***

This specifically addresses the equity problem – for every tsunami-affected village being rehabilitated, NGOs should explicitly extend their livelihoods programs to one poor village that has not been affected by the tsunami. The programs should not, of course, be identical, but catered to the specific needs of the different villages. Some projects could explicitly link coastal and non-coastal villages, e.g. a village where people grow fruit could be linked to a village on the coast where the fruit is processed into jam.

**11. *Gain thorough understandings of the prior debt situation amongst potential program beneficiaries***

This will help NGOs understand who falls through the gaps when it comes to microfinance programs, as well as be vigilant for people who may use loans to repay old debt.

**12. *Cater to youth aspirations and needs***

This could be something as simple as teaching them English, or computer skills, so they have a better chance at getting jobs.

**13. *Open up programs on training, employment, etc. to all in the tsunami-affected villages***

Most NGOs have completed the phase of replacing equipment lost in the tsunami. The focus has moved to training, micro-credit and entrepreneur development. Instead of limiting these programs to tsunami-affected people only, open them up to all inhabitants of the tsunami-affected villages. Instead of having the only criteria for participation be whether or not the person's livelihood was affected by the tsunami, have a different set of criteria – e.g. occupation before the tsunami (to encourage informal sector employees/labour to participate), or some measure of willingness to put in effort. Removing the "tsunami-only" criteria will help communities develop as a whole, as opposed to leaving behind those who were not affected by the tsunami, but who are poor and need help anyway.

## **VI. CONCLUSIONS**

While the paper has been focused on identifying unmet need amongst certain sectors of the rural economy, there are also a wide variety of examples of innovative NGO livelihoods programs, as discussed in section V. Currently, they tend to be isolated and often small. The goal of highlighting good projects, even briefly, is to provide ideas to all groups on areas to focus new efforts. A key issue and a central theme throughout this paper is that many of the issues pertaining to the informal sector, youth, women and equity are interlinked. Strategically designed and well-coordinated projects can therefore address many needs simultaneously, and help promote equitable development.

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