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# Postwar Livelihood Trends in Northern and Eastern Sri Lanka

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## **Background Paper 5**

**Prepared by the International Centre for Ethnic Studies as a  
background paper to the Socio-economic Assessment of the  
Conflict-affected Northern and Eastern Provinces Conducted  
by the World Bank**

## Postwar Livelihood Trends in Northern and Eastern Sri Lanka

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## **Abbreviations Used**

CBO	Community Based Organization
CEPA	Centre for Poverty Analysis
CfW	Cash for Work
FGD	Focus Group Discussion
GOSL	Government of Sri Lanka
HARTI	Hector Kobbaduwa Agrarian Research and Training Institute
HIES	Household Income and Expenditure Survey
HSZ	High Security Zone
ICES	International Centre for Ethnic Studies
ICG	International Crisis Group
IDP	Internally Displaced People
LTTE	Liberation Tigers of Tamil Eelam
NGO	Non-Government Organization
OFC	Other Field Crop
PTSD	Post-Traumatic Stress Disorder
SME	Small and Medium Enterprise
WHH	Women-Headed Households



## **Executive Summary**

Using information collected through, key informant interviews, FGDs and Stakeholder Consultations, this report examines the livelihood shifts in the Northern and Eastern Provinces since the end of war in May 2009. We found that while farming and fishing, including animal husbandry, continue to remain important in these two provinces, for a vast majority of impoverished people remaining in these two provinces casual wage labor in an unstable labor market characterized by low wages, absence of continuous work and wages and other terms being dictated by the employers, have become the main source of livelihood, replacing farming and fishing, the two leading livelihoods in the area prior to the war and during part of the war period as well. The increased importance of wage labor in postwar era is connected with the construction boom in these areas associated with postwar developments as well as difficulties encountered by the new settlers in restoring their former livelihoods disrupted during the war not only due to the breakdown of irrigation infrastructure, fishing harbors, support services, increased costs of production, and loss of land and equipment, but also due to increased competition for local fishermen from Indian trawlers and Southern fishermen, and loss of the economic niches occupied by local producers over products such as red onions, chillies, tobacco and fish. Some environmental factors such as droughts and flash floods and threats from wild animals have also contributed to the decline of farming in parts of Vanni and the Paduwankarai region of the Eastern province in particular. Similarly over exploitation of some fishing grounds by the trawlers and environmental impacts of tsunami are among the factors that have adversely affected the local fishing industry. On the social side, factors contributing to the decline of farming and fishing include demographic imbalances as reflected in increase in female-headed households, disability and dependency and outmigration of people with capital and knowhow during the war.

In spite of this overall economic downturn, there is evidence of some economic dynamism too in certain pockets in the region. Examples are the development of commercial agriculture in the form of fruit culture (e.g. papaya, passionfruit and banana cultivations) in parts of Vanni and Jaffna peninsula, emergence of fish culture on a limited scale in Killinochchi, Batticaloa and Ampara Districts, tourism

in the east coast and development of a hotel industry in Jaffna peninsula and early signs of an emergence of an IT industry in Jaffna, Trincomalee and Batticaloa towns. Though still at an early stage and beset with a number of serious challenges, these postwar developments can pave the way for further economic progress for certain sections of the population, provided that the prevailing constraints are satisfactorily addressed through required policy changes and support mechanisms. One of the remaining challenges is how to tap the available local resources, including the work force and the land and sea resources in an optimum way in developing these industries.

As for the strategic social issues such as family and community break up, alcoholism, trauma, debt burden, ethnic resentments and caste and gender disparities, they do certainly interfere with recovery and reconciliation as well as livelihood development in general. Strengthening of the family and rebuilding of community structures must be made side by side with efforts to counter ethnic, gender, caste and class disparities at all levels in society. Therefore, appropriate social interventions for filling existing gaps in the social sector must proceed hand in hand with effective interventions for livelihood improvement among men and women in all communities in the region.

## Introduction

Livelihoods in the Northern and Eastern provinces have been quite diverse, depending on the resources available locally, population dynamics, development initiatives, the security environment in each period, and the external flow of funds to each area. Farming, fishing and, to a lesser extent, livestock raising have been the mainstays of the rural economy in these two provinces. Other sources of income in these provinces include government employment and remittances from individuals working elsewhere in the country or overseas, producing what was sometimes referred to as ‘the mail order economy’, in the pre-war Jaffna Peninsula. As evident in the literature, this economic base was heavily eroded during the war, due to large-scale human displacement, bombing and the general neglect of economic infrastructure such as irrigation systems and fishing harbors, trade embargos imposed by the state, taxation by the LTTE, and the outflow of capital and the ‘creamy layer in society’<sup>1</sup> during the war (Sarvananthan, Jeyaprabha and Alagarajah 2017, Spencer et al. 2015, Sarvananthan 2007). Since the end of the war in May 2009, the Government of Sri Lanka (GOSL) embarked on a massive program of human resettlement, infrastructure development and livelihood restoration with the assistance of multilateral and bilateral donors. The area has once again become reintegrated with the larger economy of Sri Lanka, but the economic recovery has been slow, and the Gross Domestic Product (GDP) contribution of the two provinces to the national economy remains low, even when compared to figures from before the war.

***Table 1: Provincial Contribution to GDP in Sri Lanka for Selected Years***

<b>Province</b>	<b>1980</b>	<b>2006</b>	<b>2011</b>	<b>2015</b>
Northern Province	7.0	2.8	3.7	3.5
Eastern Province	No information	4.9	5.8	5.0
North Central	3.8	4.0	4.6	5.4

Source: Central Bank of Sri Lanka

<sup>1</sup> ‘Creamy layer of society’ is a term used in India and South Asia generally, to refer to the upwardly mobile thin layer of society constantly looking for opportunities for advancement while avoiding unnecessary risks.

Thus there was a substantial economic decline during the war in the Northern province, compared to the North Central province bordering the war zone. Eight years into the post-war era, the economy of the Northern Province was yet to recover to the prewar level. The available information points to a roughly similar pattern in the war-affected Eastern province as well. On the whole in spite of the massive public investments by GOSL in these war-affected two provinces since the end of war, economic recovery has been slow and inconsistent due to a number of constraints to be pointed out later in this report.

Against this background, the current report examines the livelihood changes associated with the post-war transition in the Northern and Eastern provinces and their possible impact on and interactions with the strategic social issues identified and analyzed as part of the current assessment. The key livelihood changes explored in this assessment include the following:

- Changes and new challenges encountered in farming, in light of damages experienced during the war, non-cultivation for long periods during the war, agro-ecological shifts in local farming systems, and competition from external market forces during the post-war era.
- Changes and new challenges encountered in fishing, in light of competition from poachers from India and migratory fishermen from Southern Sri Lanka<sup>2</sup>, as well as the emerging changes in the resource base due to the overexploitation of fishing grounds.
- The emergence of daily paid casual wage labor in the informal sector as a primary livelihood to supplement or replace farming and fishing, which were established livelihoods anchored in their respective areas and historically provided a degree of stability in social life.
- The emergence of overseas migrant labor as a potential source of employment for men and women from particular backgrounds, combined with limited options in the local labor market. This has serious implications for the vulnerability of migrant workers and the families they leave behind.

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<sup>2</sup> For details see Suriyanarayan (2005, 2016), Chaminda (2012) and Gonethilleke and Colombage (2016)

- Youth attitudes toward employment in light of their reluctance to take up farming and fishing, which are established household activities, and a closure of coveted government employment and private sector expansion, particularly in IT, the garment sector and tourism.

This report examines the impact and implications of these ongoing shifts in livelihoods in the Northern and Eastern provinces, on a number of social parameters. These include family relations, social harmony (inclusive of interethnic relations), identity formation, psychosocial well-being, indebtedness and consumption choices in response to market signals. In the end, our analysis aims to identify economic and social policies that will facilitate the post-war recovery in Sri Lanka, in the light of emerging economic opportunities and challenges, as well as the aspirations of the people in the Northern and Eastern provinces.

## **The Methodology**

The study began with a literature review covering post-war development in Sri Lanka (Silva et al. 2018). This literature review helped us understand the larger context of development and social challenges in post-war Sri Lanka, with a focus on the Northern and Eastern provinces, and the interplay between economic transformation and emerging social formations, including labor migration in and out of these provinces.

Primary data collection began with key informant interviews (KIIs). A total of 120 KIIs were conducted by the research team in the 8 districts covered by this study, in order to assess the views of key government officials, civil society actors, development workers, elected representatives and community leaders, specifically with regard to livelihood shifts and community dynamics in the relevant areas. Information was collected through open discussions in English, Tamil or Sinhala, depending on the language competencies of the persons interviewed. These conversations lasted from 30 minutes to one hour. The issues raised during these discussions varied according to the position of the informant, their time availability, their interaction with local communities, and their role in the development processes.

Shifts in livelihoods and their interaction with emerging social issues, however, were largely examined through a series of focus group discussions (FGDs) with

selected groups in the 8 districts covered. Each focus group was comprised of 3-18 purposively selected individuals representing one of the following groups:

- Livelihood groups
- Recently resettled communities
- Women
- Youth
- Vulnerable groups, such as ex-combatants, deprived caste groups and tribal people

A total of 38 FGDs were conducted using an interview guide prepared separately for each of the above groups, in Tamil or Sinhala, depending on the language competencies of the respondents. The FGDs with livelihood groups (farmers, fishermen, daily wage earners and small and medium business entrepreneurs) sought to understand the opportunities and challenges for each livelihood group. On the other hand, FGDs with other categories of respondents sought to assess the impact of changing livelihoods and related social transformations in the relevant groups. FGD participants were selected through existing social contacts and snowball sampling techniques<sup>3</sup> via development workers, community leaders or civil society organizations in the relevant areas. In conducting FGDs, efforts were made to cover relevant ethnic communities, both men and women, and regional variation to the greatest extent possible. In some FGDs in Ampara District, which possesses the highest ethnic diversity of all districts, Muslims and Tamils were combined in some FGDs with women and youth, as they spoke a common language and were willing to participate in cross-ethnic focus groups (See Table 2). With the exception of youth, recently resettled communities and socially vulnerable communities, men and women formed separate focus groups in all other FGDs, enabling comparison across ethnic groups as well as genders.

In the FGDs, information was gathered using a previously approved guide or checklist and recorded manually or using a tape recorder with the permission of the participants. In selecting locations for FGDs and the physical arrangement of the

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<sup>3</sup> This involved getting suggestions from the persons already interviewed about other local key informants knowledgeable about a particular subject and interviewing them subsequently. This technique was used to expand the evidence base by establishing new contacts through known contacts.

discussion process, efforts were made to maintain privacy and encourage the free flow of ideas. After introducing the process and the purpose of FGDs, a set of ground rules were provided by the organizer of the FGD at the beginning of the discussion. The lead FGD researchers in each province, as well as a junior facilitator and junior researcher, were primarily responsible for organizing and conducting FGDs and ensuring the quality of data. While the lead FGD researchers had prior experience with conducting FGDs, the entire team was specially trained for the current assignment through a training workshop and a practical demonstration in the field. The district-wise breakdown of FGDs is provided in Table 2. The key outputs of this activity were transcripts of the discussions, including their translation from Tamil to English or Sinhala to English.

**Table 2: District-wise Breakdown of FGDs Conducted in this Study**

Category of FGD	Total No. of FGDs by Ethnicity								
	Jaffna	Killi	Mulai	Vavu	Mannar	Trinco	Batti	Amp	Total
Farming	T 1	T1		T1				S1	4
Fishing	T 1				M1	S1	T1	T1	5
Wage Labor, Men							T1		1
Wage Labor, Women							T1		1
Small Business						M1			1
Total Livelihoods									12
Recently Resettled	T1	T1	T1	T1, S1	M1	T1		T1	8
Women		T1	T2	T1	T1			T/M1 S2	8
Youth		T2	T1	T1	M1		T1	S1, T/M 1	8
Other							T2		2
TOTAL	3	5	4	5	4	3	6	8	38

While also drawing from other FGDs, as well as other sources and literature where necessary, the 12 FGDs on livelihoods constitute the primary body of data for assessing livelihood trends and challenges in this report.

Stakeholder meetings were also conducted in the two provinces, as well as in each of the districts. While some of the participants had served as key informants, this was a forum where other stakeholders, including those from the public sector, private sector, community based organizations and others, such as community activists, were able to provide more information in response to a presentation on preliminary findings from the field work. These discussions provided a mechanism to validate

the qualitative data already collected and critical comments from an audience of concerned people that called for revisiting some of the interpretations made.

## **Livelihood Trends and Challenges in Northern and Eastern Provinces**

For the purpose of this study, the main livelihood clusters of the Northern and Eastern provinces were identified as farming, fishing, small business and wage labor. As evident in the FGDs, these clusters, however, were by no means mutually exclusive. Some farmers, in the Eastern province in particular, were engaged in fishing during some months of the year. Similarly, both farmers and fishermen took up wage labor during the off-season in in the relevant enterprises. Small and medium businessmen tended to be primarily engaged in their business activities, but some of them owned paddy fields or highland plots, usually cultivated by hired laborers. In particular, other employment avenues vigorously pursued by those with higher levels of education include salaried employment in the public and, to a lesser extent, private sectors. In the pre-war era, the government had established several industries in the Northern and Eastern provinces, including the cement factory in Kankesanthurai, chemical industries in Paranthan, a paper mill in Valaichchenai, and the ilmenite industry in Pulmudai. Yet, all of these industries were closed down following the destruction caused by the war, and workers lost their employment. None of these industries have been restored due to a combination of factors, including funding shortages and strained center-periphery political relations in the post-war era (Sarvananthan 2007). The Palmyra industry remains an important cottage industry in parts of the Northern and Eastern provinces, assisted by the state and the cooperative movement. As discovered in Key Informant Interviews and FGDs conducted in the Northern province, the demand for Palmyra products, including Palmyra toddy, however, seems to have declined in recent times due to the competition from mass-produced alternative products that are readily available in local markets. On the whole, given the vulnerabilities associated with each specific livelihood, many people tend to rely on multiple livelihoods, inclusive of casual wage labor and self-employment.



## Farming

Consisting of paddy and highland cultivation, combined with livestock keeping in select districts in the Eastern province and Vanni, farming was clearly the most widespread livelihood cluster in most areas in the Northern and Eastern provinces, with the exception of coastal fishing communities and some urban centers. The region is blessed with a vast land mass, fertile soil conditions and an agricultural knowledge base that prompted one author to describe the region as an ‘agricultural paradise’ (Dharmaratna 2014: 37). In the Northern and Eastern provinces, commercial agriculture was well established in the Jaffna Peninsula, followed by Vavuniya to some extent. As described by participants in farmer FGDs in Jaffna, Kilincochi, Vavuniya and Ampara, paddy cultivation and highland cultivation were partly for subsistence, with any surplus sold to middlemen at prices dictated by these outside entrepreneurs. Irrigation facilities renovated after the end of the war were available in some areas, enabling cultivation of two crop seasons of paddy per year, but in most areas in the Northern and Eastern provinces, paddy cultivation was entirely dependent on vagaries of rainfall, with cultivation limited to one crop season (usually Maha season) per year.<sup>4</sup> As discovered in several FGDs with farmers and wage laborers, there were limited opportunities for female labor in the primary economic domain of paddy cultivation, and even the few opportunities for female labor in paddy cultivation have been lost or curtailed due to the mechanization of agriculture and the widespread introduction of the combined harvester (locally referred to as ‘bhutaya’ or ‘bhutam,’ literally translated as ‘the mysterious one’) during the past several years.

The combined outcome of an oversupply of female labor due to demographic dynamics elaborated in an accompanying publication (See Silva 2018) and the shortage of work for women in particular came up in farmer FGDs as well as in FGDs with women wage laborers in a number of districts in Northern and Eastern provinces. In FGDs with farmers, most participants complained about the increased costs of production, with agrochemical, farm machinery and labor costs shooting

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<sup>4</sup> ‘Maha Kannaya’ in Sinhala and ‘Perumpoham’ in Tamil literally means the main farming season in the year. It coincides with the North-eastern monsoon rains from October to March. ‘Yala Kannaya’ in Sinhala and ‘Sirupoham’ in Tamil refer to the less reliable smaller farming season from April to July.

up in recent years, and the price of farm produce, including paddy covered by a government imposed guaranteed price, being vulnerable to sharp declines at the time of harvesting. This, in turn, has led to market shocks and contributed to the credit ‘trap’ that will be dealt with later in this report.

The productivity, profitability and sustainability of farming in the Northern and Eastern provinces have been adversely affected by a number of factors directly or indirectly connected with the impact of the war on the one hand, and market or institutional failures on the other hand. Describing the overall stagnation in agriculture in the Northern province at present Rangarajah (2017) referred to it as “backyard farming” not well-integrated with the market.

We list some of the relevant factors below.

First, some of the infrastructure damaged by the war, such as irrigation systems and rural roads, are yet to be renovated. Hence, cultivation is subject to vagaries of weather and integration with external markets has been hampered due to poor rural roads and a lack of suitable transport facilities. Although the Northern and Eastern provinces are well connected with other districts by highways, the interior roads connecting the villages with towns and cities remain in dilapidated conditions, inhibiting farmers’ access to markets, as well as buyers’ access to producers in the villages.

*“Here irrigation water is only available in some of the local paddy tracks. In most stretches of paddy lands, only one season of cultivation is possible and that too depends on timely arrival of rainfall.”—A Farmer, speaking during an FGD in Kilinochchi*

*“The access road to this village is so bad that outside traders refuse to come to this village to collect our farm produce. In effect, we have to take our produce to the nearest town located some 8 km away and hand over our produce to visiting traders at whatever prices they dictate to us”—A Man, speaking during an FGD with new Sinhala Settlers in Vavuniya District).*

Second, according to the information gathered in FGDs with farmers in Vanni and in Batticaloa and Ampara districts, farmers are compelled to sell their farm produce

at lower prices immediately after harvesting, due to a combination of factors—including the necessity to repay loans taken for financing the cultivation process and a lack of facilities in farm households for storage of paddy harvest until the farm gate price for paddy improves. Due to war time transfer of assets, the facilities for milling rice mostly owned and operated by Muslim businessmen from outside, have been increasingly shifted to economic centers outside of these areas with the result that there is no local value addition at all to farm produce in the affected areas. Value addition in agriculture in the form of food processing and development of industries using locally available agricultural produce as raw material, including milk products, has substantial potential in the Northern and Eastern provinces. The paddy farmers that we interviewed in the farmer FGDs listed in Table 2 told us that they sell paddy to rice mill owners in Polonnaruwa, whose packaged rice products are sold in almost every retail shop in the Northern and Eastern provinces. These farmers argued that people consume the same rice that they produce and hence the value addition occurs outside of their provinces.

*“We must sell the paddy immediately after harvesting to buyers coming from Polonnaruwa in order to settle the loans. The selling price is low at that time, but we have no option given the circumstances.”—A Farmer, speaking during an FGD in Kilinochchi*

*“We have neither storage facilities for milk nor any milk based industries, such as the manufacture of yoghurt or curd so that we have to supply it to the first collector who comes this way irrespective of their terms.” —A Farmer, speaking during an FGD in Kilinochchi*

Third, farming is adversely affected by changing weather patterns, including droughts and floods. Crop damage is also increasingly caused by wild animals (e.g. elephants and wild boars), due to a number of war-related developments, including the clearing of forest, wild animals invading lands abandoned by displaced village communities, and the displacement of elephants from forests due to troop movements and the establishment of military and LTTE camps (Spencer et al. 2015, Fonseka and Raheem 2011). Additionally, due to shortcomings in the provision of agriculture extension services in these communities as revealed in farmer FGDs and

also confirmed by Key Informants among development workers in the affected areas, the present-day farmers are not aware of crops that are more resistant to drought conditions, which would be better options than continuing to grow traditional crops such as rice, which require large quantities of water. There were instances revealed in FGDs and Key Informant Interviews where farmers, for example, benefited greatly by engaging in the cultivation of non-traditional crops, such as Jasmine flowers, fruits and certain ‘other field crops’<sup>5</sup>, like green gram, peanuts, green chillies or vegetables. In farmer FGDs and in some key informant interviews, the research team learnt that information about crop diversification and expansion was presently not available to most farmers in the Northern and Eastern provinces.

Fourth, in Northern and Eastern provinces, there is a complex array of land problems due to the loss of legal documents during displacement, the acquisition of productive land by the security forces for expanding the security establishment (Fernando & Raheem 2011), land disputes among rival claimants to land, and the declaration of some of the land formerly used for farming or animal husbandry by civilians as forest or wild life reserves during the period of armed conflict (FGDs with farmers and new settlers and some Key Informant Interviews in Trincomalee, Batticaloa, Mulaitivu and Mannar. The amount of land available for development, resettlement and cultivation in Vanni and the Eastern province has possibly been impacted due to some of these developments. For instance, land disputes between cattle owners and paddy cultivators in the Akkaraipattu region of Ampara District reportedly drive ethnic hostilities within the region (see also Hasbullah & Geiser 2017).

*“We don’t have legal documents to show our ownership of the lands. If we have such documents, we can use our land as security to get bank loans. Actually, we don’t have legal documents of ownership as we lost them during the war.”—A Farmer speaking during an FGD in a remote part of Kilinochchi District.*

Finally, agriculture extension services have collapsed in many areas due to administrative reorganization, staff vacancies and limited transport facilities for the

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<sup>5</sup> ‘Other Field Crops’ (OFCs) is a term used in Sri Lanka to describe crops other than paddy grown in paddy land or upland as a substitute for paddy particularly during dry seasons. These crops require less water compared to paddy during the growing up period and, therefore, help farmers to cope with water shortages particularly in the dry season.

available extension workers. In effect, farmers are primarily advised by agrochemical distributors about the insecticides and pesticides to be applied to the affected crops (Remarks made in Farmer FGDs also confirmed by Key Informant Interviews with civil society actors and lowest level government officials such as Grama Niladharis). This in fact serves to increase production costs and the over-application of potent agrochemicals.

In summary, the full potential for agricultural development in the Northern and Eastern provinces has not been realized, and productivity levels in agriculture have not reached pre-war levels, let alone catch up with the rest of the country as pointed out by Sarvananthan (2007, 2016) and Rangarajah (2017), due to the combined effect of these adverse post-war developments.

This is, however, not to say that these adverse trends in agriculture are uniform throughout the Northern and Eastern provinces, and that agriculture in these provinces is completely without any dynamism at all. According to some key informants from the private sector and civil society, commercial agriculture is thriving in parts of the Jaffna Peninsula, with cash crops such as bananas, onions, chillies, vegetables and grapes. Red Lady papaya and passion fruit have also emerged as important cash crops in parts of Vavuniya district. Organic agriculture has been introduced to select farming groups in Vanni by outside firms, as outgrower schemes.<sup>6</sup> On the other hand, Cargill has established a fruit processing plant in Kilinochchi to extract fruit juices from some of the locally grown fruits, and is bottling them for consumers in urban areas. Scaling up these developments will be necessary in order to move up the value chain and catalyze agriculture in Northern and Eastern provinces from its current slump. The prevailing obstacles to develop agriculture in the Northern and Eastern provinces must be overcome through appropriate policy interventions, institutional reforms and improved service delivery.

Given the arid conditions that prevail over much of the Northern and Eastern provinces, farmers have traditionally adopted unique methods of farming that enabled them to adapt and overcome the challenges of farming under such difficult conditions. For example, the salinity of cultivable land was one such challenge,

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<sup>6</sup> For example, projects initiated and supported by the ILO and USAID in the Killinochchi and Mannar districts.

but farmers were able to prepare the soil in such a manner that it allowed for the cultivation of crops such as onions. However, despite these efforts, not being able to sell their produce at a reasonable price has adversely impacted the production of such specialized crops.

Improving paddy and vegetable cultivation demands certain interventions. For example, in FGDs and in personal interviews farmers and new settlers in Mannar mentioned that they are able to cultivate only during one crop season, due to insufficient irrigation water or heavy reliance on the rain. They mentioned to us that a long time ago, there was a plan by the government to channel in irrigation water to Mannar, by connecting sources of water to Malwathu Oya, which runs through Mannar to reach the Indian Ocean, but becomes dry in some months of the year. This plan is yet to be realized. There have been similar plans to divert Mahaweli water into the district of Kilinochchi, but they too have been abandoned largely due to the inability to reach a consensus between the center and periphery as to how to proceed in such collaborations (Source: Key Informant Interview). Therefore, alternative means of improving irrigation facilities in the Northeast have to be identified, as irrigation can vastly transform the agricultural potential of the Northeast by massively increasing paddy, vegetable and fruit production.

Information collected for the purposes of this study also highlights the fact that there is enormous potential in agriculture for value addition. The farmers in the Northeast face competition from the economic center in Dambulla, which is the largest distribution center for vegetables and fruits in Sri Lanka (Sarvananthan 2003, 2007, 2016). Production from all parts of Sri Lanka arrive in Dambulla to be rerouted to all parts of the country. Before the opening of the A9 highway, farmers in the North and some parts of the East faced little competition from the South, but this virtual monopoly shifted when the highway was opened (Sarvananthan 2003, 2007). This had both positive and negative impacts on farmers. While producers of certain crops were affected, farmers who produced crops which had demand in the South received even better terms (Dharmaratna 2014, Sarvananthan 2007, 2016). However, closing up markets would not be agreeable under the current economic policy and global economic conditions.

Further investment is necessary for agricultural research, in order to improve productivity and find better and more environmentally sustainable means of pest control. There is a campus of the Jaffna University in Kilinochchi which also houses the Faculties of Agriculture and Applied Sciences. There is immense potential for this campus as far as agricultural research is concerned.

The North and East produce many fruit varieties, at relatively low costs, and thus fruits present great potential for value addition. According to participants in Farmer FGDs in Vavuniya and Kilinochchi, there are seasons when fruits are not harvested due to a lack of markets, even though the soil conditions in some districts offer ideal conditions to grow fruits year round. The intensification of fruit cultivation can benefit many social layers; this can be a home gardening exercise for some, and widows and young women may find this to be a safe employment opportunity. Mothers with children can also benefit, as they often find it difficult to work when they have small children. There are also people with special needs, whose physical mobility is somewhat curtailed by their conditions. More broadly, there is also considerable scope to expand fruit production. Further, there is a considerable market for packaged fruit juice, both locally and in Middle-eastern markets. Therefore, value addition in fruits will be an important source of employment, as well as a means to improve the contribution of the Northeast to the national GDP.

Intensification of the cultivation of both vegetables and fruits requires improvements in rural infrastructure. Although the highways connect the Northeast to other parts of the country, there are rural roads which are yet to be rehabilitated. Poor infrastructure and transport is a key bottleneck in the marketing of vegetable and fruit production. According to information revealed in Farmer FGDs in all districts, technical support for extension is weak, although there are several government institutions for that purpose, including the Department of Agrarian Services, Department of Agriculture, Department of Coconut Development, the Palmyra Development Board, the Department of Export Agriculture, and others. At the moment, none of these institutions seem to have research and development facilities, needed for agricultural development and diversification in the area (Key Informant Interviews in the Agricultural Faculty in Kilinochchi, University of Jaffna and with a former public servant based in Jaffna).

In KIIs, two provincial politicians and a retired government servant in the North mentioned that there is a plan to set up an economic center in Vavuniya, similar to the one in Dambulla, in order to coordinate the buying and selling of agro products. In order to establish this center as a viable marketing center a coordinated effort is needed on the part of central and provincial governments expediting the construction of this economic center would be an important contribution to agriculture in the North. A similar economic center could serve the Eastern province as well.

## **Fishing**

The fishing industry offers significant potential in the Northern and Eastern provinces due to the long coastline in the region, lagoon ecologies in Batticaloa, Trincomalee and Mannar, and the fishing skills distributed across various fishing communities in the area. There were Navy imposed restrictions on deep sea fishing during the war, but these restrictions were gradually removed during the post-war era; this was described during KIIs with officials of fishing cooperatives in Erukkalampidy in Mannar and Poonagari in Kilinochchi, and has also confirmed by published materials, including Chaminda (2012) and Bavinck (2015). The type of fish caught, as well as the techniques of fishing, differ in lagoon fishing, single day boats and multiday boats in sea fishing.<sup>7</sup> Fishing by local fishing communities has been constrained due to the lack of suitable fishing harbors needed by multiday boats, and the limited volume of fish caught by un-mechanized teppam<sup>8</sup> and mechanized single day boats. On the East coast, fishing harbors are available in Oluvil, Sammanthurai, Valaichchenai and Trincomalee. These fishing harbors are mostly used by multiday boats, owned and operated mostly by Sinhala businessmen from the South and Muslim businessmen from the Ampara and Batticaloa districts (FGDs with Tamil fishermen in Karaitivu in the Ampara District, Sinhala fishermen in Muthur in Trincomalee district and Muslim fishermen in Mannar District and

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<sup>7</sup> Lagoon fishing uses manually operated boats and/or nets and the catch is usually small fish such as prawns, crabs, lobster and certain varieties of shell fish. A single day boat could be manually operated teppam (explained in the next footnote) type or powered by a motor and the fish catch is typically medium size fish including tuna, seer fish, mullet, trevally and mackerel. Multiday boats use trawlers and typically catch large fish including various species of tuna, seer, salefish and marlin.

<sup>8</sup> Teppam is a sail boat that uses the flows and direction of winds to navigate in the ocean and is propelled partly or fully by a sail fixed in the boat.



Key Informant Interviews with selected government officials in the two provinces). According to the same sources, Tamil fishing communities throughout the Northern and Eastern provinces are largely restricted to less remunerative fishing in lagoons and areas of the sea within 20 km from the coast line.<sup>9</sup> Fish culture has been newly introduced in selected areas in the East coast (e.g. Karaitivu) and the West coast (e.g. Punahari) by private entrepreneurs and fishing cooperatives, for the purposes of breeding prawns, milk fish, sea cucumber and other exportable fish varieties.

Female involvement in the fishing industry is by and large restricted to certain types of lagoon fishing, the cleaning of fishing nets, the making of dried fish, and retail fish trade in some instances—all of which are financially less lucrative as compared to male activities in the fisheries sector (FGDs with fishermen and female wage laborers in Ampara and Batticalo districts). Fishermen come from all of the ethnic groups in the Northern and Eastern provinces. Muslim fishermen in Ampara and Batticaloa districts and Sinhala fishermen in Muthur (in Trincomalee District) are engaged in multiday fishing, while Tamil fishermen all over the Northern and Eastern provinces and Muslim fishermen in Mannar and Kilinochchi districts by and large engage in close shore fishing, using single day boats. For the most part, sea fishing is seasonal, with fishermen turning to other occupations such as wage labor or becoming seasonally unemployed during the off-season. There is a pattern of seasonal migration from the West coast to the East coast and back in migrant fishing communities, but this migration process became more regulated during the war and increasingly difficult in the post-war era, due to opposition from local fishing communities (Sarvananthan 2007, Chaminda 2012, Jayatileka,, Amirthalingam and Gunasekera 2013).

The fishing industry in the Northern and Eastern provinces received a boost since the end of war, due to the removal of restrictions imposed during the war. The industry, however, has faced a number of new challenges in the post-war era.

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<sup>9</sup> This finding from FGDs and KIIs conducted for the current study is also supported by recent empirical research in two Tamil fishing villages (Jayatileka, Amirthalingam and Gunasekera 2013 and Bavinck 2015). The Dutch anthropologist Bavinck, who conducted ethnographic research in a Tamil fishing village in the North during the war (1997) and revisited the same village in 2012, described the situation as follows:

“A combination of bad weather conditions, the prospect of poor catches, and the risk of getting mauled by Indian trawler operations serves to keep local fishers on shore. Many find temporary employment as masons in the reconstruction effort. The proud fishing industry of old has disappeared. Those who have relatives abroad rely to a large extent on remittances. Others live a hand-to-mouth existence and strive to slowly rebuild their livelihoods” (2015: 3-4).”

First, poaching by Indian trawlers, possessing sophisticated technology for extracting, preserving and storing fish, as well as by Southern trawlers with the capacity to undertake deep sea fishing, have become a threat to fishermen from the Northern and Eastern provinces, who typically possess less advanced traditional fishing technologies (Goonetilleke & Colombage 2016, Chaminda 2012, Sarvananthan 2007). Further, as revealed in FGDs with fishermen in Mannar and Jaffna, the practice of 'bottom trawling,' by Indian trawlers in particular, has led to the over-exploitation of fishing grounds and the loss of income for fishermen from the Northern and Eastern provinces (see also Suriyanarayan 2016). Yet another complication is the reported destruction of fishing gear laid by Sri Lankan fishermen by Indian trawlers as was reported in the FGDs with fishermen in the districts of Mannar and Jaffna.

Second, there are problems with the marketing of fish that are comparable to those experienced in the marketing of farm produce, due to lack of storage, freezing and transport facilities, and the absence of food processing, such as canning (Goonetilleke & Colombage 2016, Sarvananthan 2007). The preparation of dried fish prevailed in Mannar District and in Kinniya in Trincomalee district to some extent, but this was done only with respect to certain varieties of fish that are popular in this form throughout the Northern and Eastern provinces and elsewhere in the country. The fish market is largely controlled by middle men from outside, who dictate terms to local fishermen, who are then compelled to immediately sell their fish catches at whatever prices available after bringing them to shore (Key informant interviews with office-bearers of Fishing Cooperatives in Jaffna and Kilinochchi, FGD with fishermen in Karaitivu in Ampara District).

Third, accordingly to the FGDs with fishermen in Karaitivu, the state assistance to fishermen following the end of the tsunami disaster and the end of the war, such as the supply of boats on easy payment terms, have been largely restricted to Muslim and Sinhala fisherman who are connected with the state through their political representatives. On the other hand, Tamil fishermen believe that they have not been able to benefit from services provided by the state to the same extent, due to the absence of their representatives in the ruling regimes. These sentiments were repeatedly described in an FGD with fishermen in Karaitivu, and were also affirmed

during KIIs with select civil society leaders. One government official interviewed also confirmed it on the grounds of anonymity. Based on a longitudinal ethnographic study in a fishing village in the North, Bavinck also notes that “fisheries governance in this region is murky and infected by power struggle (2015:12).” Some NGOs, such as World Vision and Zoa, as well as various church based organizations, have tried to fill this gap in terms of service delivery to Tamil fishermen, but they remain underserved from the angles of absence of multiday boats, lack of freezing facilities and non-availability fishing harbors judging by the responses of the farmer FGD in Karaitivu as well as evident from the work of Chaminda (2012), Jayatileka, Amirthalingam and Gunasekera (2013), and Bavinck (2015). While these responses may not be completely accurate in terms of describing the social and economic realities on the ground, they indicate the ethnicized perceptions of entitlements and exclusions when it comes to service delivery by the state.

Fourth, there is no evidence that new developments, such as the tourist industry in Eastern Sri Lanka, have had a beneficial impact on the local fishing industry. Even though one can expect that the tourist industry may increase the demand for high-end fish products, we could not find such positive linkages between these industries through FGDs with fishermen or key informant interviews with hoteliers and office-bearers of fishing cooperatives. On the other hand, the tourist industry tends to interfere with the traditional fishing grounds and boat landing spaces in parts of the East coast, such as Panama (Fishermen FGD in Karaitivu and Key Informant Interviews with civil society actors in the region). This highlights the importance of a coordinated approach to development in different sectors of the economy.

These problems aside, the emergence of fish farms can be seen as a progressive step towards expanding the fishing industry in the Northern and Eastern provinces and better integrating them with the demand for fish from within, as well as from outside Sri Lanka. The adverse environmental impact of fish farms, including the potential contamination of lagoons from the effluent from such fish farms, must receive greater attention in any future efforts to expand fish culture in the area. In any case, local communities must play a greater role in shaping the future of the fishing industry in the Northern and Eastern provinces.

As fishing becomes a less lucrative and an increasingly problem ridden livelihood choice, some authors (e.g. Chaminda 2012, Jayatileka, Amirthalingam & Gunasekera 2013) have also pointed to a trend among certain communities where fisheries and related activities are being replaced by tourism related activities. While this diversification can be seen as a positive development, given that this is an area with rich fisheries stocks, a neglect of this industry may not be a viable or desirable option.

Improving the existing fishing industry would require multiple interventions by the government, as well as the non-governmental sector. If infrastructure is improved, such as better storage facilities, that would enable fisher people to store their fish when the price is low on a particular day. That may help stabilize the markets. For example, in an FGD with fishermen from Ampara, they mentioned that in their division there are about 3000 families engaged in fishing, but they need to buy ice from a factory owned by a Muslim businessman, who also profits from deep-sea fishing. The FGD participants felt that the ice factory first fulfills the needs of deep-sea fishermen and thus they only receive the left overs. Situations like these offer possibilities for investment, either in expanding the existing ice factory, or in setting up a new factory to cater to the demand. The fishermen further highlighted that when they do receive a good fish catch, they have to sell it on the same day cheaply, whereas if they had storage facility they would be able to store the fish in order to get better prices in the following days.

There is also a class dimension to the life of fishermen; there are boat owners and boat workers. From our FGDs, we deduced that the majority of the fisher people are boat workers who engage in fishing for a daily wage or a share of the fish catch. According to our understanding, increasing the number of small boats would increase pressure on the available fish catch in a concentrated area of the Indian Ocean and lagoons, and will not contribute to sustainable fishing. It would be more productive to help boat workers collectively own boats, so that they cease to be mere workers who earn a daily income. This would significantly contribute to improving the living standards of fisher people and their families.

As mentioned, it is important to explore the unrealized potential of fishing, which lies in deep-sea fishing and value addition to all forms of fishing. This would require

a significant investment of resources, and if it is managed effectively, this would provide an opportunity to dramatically improve the economic wellbeing of the Northeast, along with significant improvements in standards of living. According to many of the fisher people whom we interviewed, as well as important government officials, the relative inadequacy of fishing harbors is thought to hamper investment in deep-sea vessels. Some harbors, such as the one in Mailladi in Jaffna, which used to be a fishing harbor, remained inaccessible, as they were under the control of the Sri Lankan Navy for security reasons. However, by the time of our study, some lands near the harbor were leased for civilian use, and it seems likely that the harbor will be available for use in the near future. However, modernizing Mailladdi and other fishing harbors to fit with fishing requirements will demand the additional investment of resources, for which the private sector should also be involved.

Increasing the number of multiday fishing boats remains vital to improving the fish catch in the Northeast. While it may not be feasible for the government to be directly involved in purchasing fishing vessels, there is the possibility that once the infrastructure begins to fall into place, and with the correct incentive structures (e.g. credit facilities, tax relief, or even start up grants), the private sector can be encouraged to invest in fishing vessels. Yet, a proper legal framework would need to accompany development assistance for the private sector, to ensure that new gains will also reach the poorer workers. At present, fisher folk have no formal contracts with boat owners, and no fixed salary, retirement contributions or saving plans for retirement. Yet, development assistance to scale-up private sector investors can be conditional upon the provision of better working and remunerative conditions to employees in the multi-day fishing vessels.

Similarly, value addition remains vastly underexplored. To our knowledge, there are no fish canning facilities in the Northeast, and this remains an important option, given the popularity of canned fish as a cheap source of food and protein in Sri Lanka. The export of fish to other regions such as Europe and the Middle-east already takes place to some extent, and this presents new opportunities. An increase in fish production would also lead to an increase in employment in various support services, including transport, storage and dry fish preparation, among others.

As we mentioned in the beginning, improving the livelihood of fishing would also require social interventions. The accompanying report by Herath (2017) on community breakup explains and describes the many ways in which there are emerging distortions in the existing social structure. He explained how alcoholism has become a serious issue in fishing communities in the Northeast. There is also indebtedness and the habit of resorting to micro-finance for consumption purposes. Government and the NGOs have an important role to play in combatting these social ills.

## **Casual Day Laborers**

According to our estimates based on review of prior studies (Razaak 2012, Jayatileka, Amirthalingam and Gunasekera 2013, and Bavinck 2015), key informant interviews and discussions at the village level, roughly 75% of the working population in the Northern and Eastern provinces depend on casual wage labor (*kulivelai*) in the informal sector as their primary or supplementary source of livelihood.<sup>10</sup> This may be seen as an outcome of the problems associated with farming and fishing—the two leading livelihoods long-established in the Northern and Eastern provinces during the post-war era—due to factors discussed in the previous sections and previous studies (Jayatileka, Amirthalingam and Gunasekera 2013). Demographic shifts in the population, such as the outmigration of the wealthy (including landed proprietors), and the proportionate increase in the share of the female population with limited employment skills have also contributed to this shift in livelihood patterns. (For details see Silva 2018). Finally, the construction boom in the Northern and Eastern provinces following the end of the war and the post-war rebuilding and resettlement efforts undertaken by the state with donor assistance have led to an increased demand for casual labor from these provinces and elsewhere in the country. For the most part, migrant workers from elsewhere in Sri Lanka have fulfilled this demand for skilled labor (e.g. masons, plumbers, engineers) in the construction industry (FGDs with wage laborers and Key Informant Interviews with businessmen). This explosion in casual wage labor as a source of employment, though unstable, however, does not appear to be a temporary phenomenon but rather a permanent feature,

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<sup>10</sup> In the district-level stakeholder meetings, this estimate was by and large accepted by most participants.

symptomatic of the unstable pattern of livelihoods for poorer people in post-war society.

Most casual wage laborers do not have a fixed avenue or fixed place of employment, but move from one type of work to another depending on the availability of opportunities (FGDs with wage laborers in Batticaloa and Ampara districts). In agricultural areas, hired work is mostly related to activities such as soil preparation, weeding and harvesting. In the coastal belt, where fishing is the leading economic activity, hired work is mostly in fishing itself, and includes the cleaning of fishing gear and the loading and unloading of fish. There are defined male and female tasks with different wages, in both farming and fishing. The tasks for women, however, are much more restricted, and have become further restricted in recent times due to the mechanization of agriculture. According to FGDs with wage laborers, the daily wage for men ranges from Rs. 1000-1500, and for women from Rs. 500 to 800, depending on the task. In an FGD with male wage earners in Mandapathady Village in the Manmunai West Divisional Secretary area (Batticaloa District), it was reported that male and female wage earners receive approximately 10 day's work per year in paddy cultivation, for one crop season (the Maha season) each year. This means that wage earners have to find other sources of employment during the rest of the year in an unstable labor market. They may engage in self-employment (e.g. home gardening and/or livestock keeping and among women, the preparation and selling of cooked food) or take on other hired work opportunities (e.g. construction work or road building among men, and domestic help, cleaning, child care and cooking for women). Reflecting on the unstable nature of the labor market in the Northern and Eastern provinces, there is considerable underemployment among the various categories of workers.

As evident in the two FGDs conducted with wage earners, as well as in a number of FGDs with farmers and fishermen, seasonal migration to potential work sites in far away places has emerged as an important way to supplement earnings from farming, fishing and wage labor in local areas. For instance, men in Mandapathady Village, in Batticaloa district, travel to paddy farming areas in Polonnaruwa and Trincomalee for undertaking harvesting work, to Colombo for undertaking manual work in construction sites, and to businesses in Kathankudi for undertaking

loading and unloading work. Similarly, female workers in Orumulacholai Village, in Eravurpattu DS Division in the Batticaloa District, also travel to Polonnaruwa and other areas for undertaking farm work, particularly in paddy cultivation. There is also a considerable amount of international labor migration to the Middle-east and other destinations from certain areas in the Northern and Eastern provinces. On the whole, increased labor migration is an important feature in the Northern and Eastern provinces during the post-war era. This situation is reflected in the following quote:

*“During the war we could not go anywhere far for work in the given security environment. But now we go can even go to Sinhala areas such as Polonnaruwa and work there for several weeks or even months with no problem whatsoever.”—A Female Migrant Laborer, speaking during an FGD in Orumulacholai*

Reportedly, the labor market is also less hampered by ethnic barriers, as evident from examples such as Tamil laborers from villages around Batticaloa visiting the Muslim town of Kathankudi and the Sinhala colonies in Polonnaruwa for casual wage labor. Both these avenues of wage labor had been closed during the war due to ethnic tension and security concerns of the workers. The following statement from a FGD captures the current situation:

*“Our Sinhala boss is very kind and patient, they gave a fair and reasonable salary, he gave food from his home and gave us accommodation in his house and we stayed with his family.”—A Male Worker from Mandapathady*

These patterns of labor mobility, however, also have some implications for the strategic social issues that will be considered in the next section. These include alcoholism in labor gangs, the forging of extra-marital relationships, and estrangement and separation between partners.

The workers have limited negotiating power in many of these labor transactions. The terms of labor contracts are typically ill-defined, and actual work hours may be longer than usual, given the supply of accommodation and food by the farm employers in faraway locations. Wages are predetermined and are not subject to



negotiation. One worker in an FGD with male laborers noted: “We cannot ask for higher wages. The employers can always find other workers who are prepared to work for existing wages. In the alternative, the employers can also go for labor replacing machinery such as combined harvesters that do the work much faster and perhaps at lower cost.”

Evidence from our FGDs suggests that Muslim women face more constraints to their mobility when seeking to migrate for employment (FGDs with women in Muslim villages in the east coast and Key Informant Interviews with Women Development Officers in Batticaloa and Ampara districts). During FGDs with female migrant workers from Tamil communities, participants noted that they can go out to work and be away from home for longer periods only if their extended family members agree to look after their children while they are away. Given the existing gender relations in society, female labor migration may also have adverse implications upon the welfare and wellbeing of children left behind in their homes. In many key informant interviews with individuals employed in caring professions, it was reported that child abuse within or outside the family has escalated in recent years, particularly in more impoverished households affected by labor migration of women particularly as domestic workers in overseas destinations.

When it comes to women’s employment, in terms of both casual work and the private sector, there are important gender dimensions that should concern stakeholders involved in the development process.

*"In my home I have to do everything because my husband doesn't help in any household activities. Each and everything I have to do. I like to go to work but it is impossible to me. If I go to work, who will look after my children and do the other household activities?"—A Female FGD Participant in Mannar*

As the woman above highlights, women’s ability to work is hindered by ‘traditional’ gender roles and the associated expectations. In almost every case, women have to manage both unpaid household work and outside paid work. In FGDs with women they identified their child care responsibilities as a key constraint they face when trying to secure paid employment. Therefore, development of professional child care

services may be seen as an important prerequisite for enhancing female labor force participation, particularly in the war-affected regions.

All in all, labor market trends in the Northern and Eastern provinces during the post-war era pose a number of serious challenges from the angle of the vulnerability of workers and their families. As described, there are a number of emerging issues: heavily fluctuating incomes, periodic unemployment, potential abuse and exploitation in the work place, challenges for the integrity of the family, potential child abuse, and work-related patterns in the consumption of alcohol and other substances. These are all part of the vulnerability landscape associated with casual wage labor and related patterns of labor migration.

## **Small and Medium Enterprises**

Small and medium enterprises (SMEs) in the Northern and Eastern provinces include the wholesale and retail trade in commodities, the distribution of agrochemicals, hardware, furniture and other goods, the buying of local products (including farm produce and fish) and fish culture. There are also the tourism and hotel industries, transport services, financial services, the IT industry and education services. In this study, information about SMEs was collected through an FGD with a Muslim Traders Association in Trincomalee district, and through Key Informant Interviews with office bearers of the Chambers of Commerce. Interviews were also held with selected entrepreneurs in emerging towns, including Kathankudi, Killinochchi, Vavuniya and Ampara. From these sources of data, several patterns emerged in regard to the prospects for SMEs in the war affected regions.

First, the new economic opportunities that were identified included the supply of items needed by the construction industry (particularly during the early phases of resettlement), as well as investment in tourism and related services (in particular, along the tourist belt in the East coast), IT services, and the distributorships for the various outside firms that supply essential commodities. Interestingly, investment in production, value addition and local industries were seen as risky and not particularly lucrative. Perhaps the only exceptions were investments in fish culture, which is growing in some coastal areas, and fruit cultivation in Jaffna and selected areas in the Vavuniya district.

Second, most businessmen who participated in Key Informant Interviews believed that the investment climate in the war-affected areas is not conducive for business expansion due to political uncertainties in the region and the difficulty of recruiting skilled workers with a strong commitment to their jobs. They also felt that there was excessive state interference in SMEs, heavy red tape in both the central and local governments, transport difficulties, and excessive competition among new businesses and trade monopolies in some sectors. The entry of the security forces in some businesses such as running of retail shops or restaurants was mentioned as another potential disincentive for private investments in those sectors. One trader participating in an FGD in Kinniya noted that there is a long slack season in all local businesses, which corresponds to the slack seasons in farming and fishing when local people have no money to buy consumer durables. Instead, during these times, they start mortgaging consumer durables and any valuables (such as jewelry) that they had purchased in the preceding months, in order to cope with their loss of income. These income fluctuations among consumers affect the patterns of sales and profitability for most businesses.

Third, some key informants from the private sector in Ampara district noted that local enterprises had to be closed down due to competition from parallel enterprises elsewhere in Sri Lanka. One example that was provided during the interviews was the closure of some 90 local rice mills in Trincomalee, which reportedly failed to compete with the larger rice mills in Southern towns like Polonnaruwa, which possess more advanced technology. The local rice mills did well under the relatively closed economy that prevailed in the area during the war, but as the local economy became integrated with the larger national economy, whatever protections the relative economic isolation of the region provided to local industries gradually disappeared. Thus, they became vulnerable in light of increased competition from other regions.

Fourth, some Key Informants among businessmen claimed that there are long-established ethnic monopolies among many of the SME sectors. For example, the hardware business in one town was thought to be owned by some Muslim businessmen from another nearby town. Similarly, all of the businesses in another town were thought to be owned by Sinhala entrepreneurs, while the pattern was supposedly reversed in the next town, where Muslims own many enterprises. Based

on our findings, there is inherently an unwritten policy in each town to prevent “the ethnic other” from entering into businesses there, as such entrants are viewed as being harmful to existing interests. This was also associated with a pattern of mutual help between established businesses within the same ethnic group, as it prevented the linking of social capital across the ethnic divide. It must be stated here that continued mistrust among ethnically polarized communities is harmful to the development of healthy competition, increased efficiency, and economic growth in general.

On a positive note, there appears to be a slight boom in the low budget tourism sector, where bed and breakfast (B & B) type establishments, primarily geared towards the low-budget tourist market, are being established—especially around popular beaches in Trincomalee, Nilaveli and Arugam Bay. These entrepreneurs seem to be aware of new marketing tools, including online marketing websites (e.g. Booking.com), as well as other more recent trends, such as eco-tourism. However, despite this enthusiasm, we did not find evidence of any specific organizations or officials that are able to provide support services to such entrepreneurs.

## **Tourism as a Development Strategy**

Tourism has been one of the fastest growing industries in the Northeast. We found that new hotels are being constructed and existing ones are being upgraded. According to anecdotal evidence from key informant interviews with selected hoteliers, tourist arrivals, especially local tourists, and to some extent international travelers and members of the Tamil diaspora, have started to visit the Northeast. There are fine beaches, natural attractions, such as the hot springs in Trincomalee, and places of cultural significance in some districts, including Jaffna in the North, and all of the districts in the East. Yet, there is significant potential for further expansion. Two hotel owners and one manager hoteliers we interviewed lamented the lack of a sufficiently trained workforce to run their hotels. They believe that youth in the Northeast are not yet ready in terms of their attitudes to work in the hospitality industry, while representatives from civil society argued that even the local hoteliers are not ready in terms of their attitudes towards employees (See also Sarvananthan, Jeyaprabha and Alagarajah 2017, Azmi, Brun and Lund 2013).

### ***Case Study: Recruiting for the Hotel Industry in Mullaitivu***

Jetwing Jaffna recently implemented a project to recruit 50 youth from Mullaitivu as trainees, with the intention of employing them in Jetwing branded hotels. They requested help from a civil society organization in Mullaitivu to take the initiative to find suitable candidates. The said organization informed the District Secretary and other relevant officials including, the Grama Niladharis at the lowest level of government administration. Although Jetwing Jaffna promised to arrange transport and accommodation in Jaffna, and even a visit for parents to see their children during the training, this organization could only find 13 youth who were willing to join the training. Of the 13, only 9 turned up when the bus arrived to take them to Jaffna. Of the 9, only three youth completed the training and are now employed in Jetwing hotels. (Source: Stakeholder meeting in Mullaitivu)

The case study above illustrates the fact that the hospitality industry faces some cultural barriers in the Northern and Eastern provinces, whereby the youth are not accustomed to careers that involve giving care and services to strangers. Traditionally, such work was tasked to the so-called lower caste groups.<sup>11</sup> Informants we met told us that although there are hotel schools, they do not have a sufficient number of staff or the capacity to train youth. This is where important space opens up for training, such as establishing new hotel schools or upgrading the existing ones. Nevertheless,

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<sup>11</sup> This point was made by a knowledgeable civil society worker from Vavuniya in a Key Informant Interview. The important point is that from the angle of potential recruits to the local tourist industry, there is a dignity issue that may be related to how care givers were treated within the Hindu caste system (see also Rasanen (2015) and Thanges and Silva (2009)). For instance, tasks such as cleaning work or lifting work was always assigned to the respective lowest castes in the caste system, and the people from the higher castes were expected to give orders in a commanding manner to those from the lower castes. As evident from the example given here, the educated youth in the North, irrespective of their caste backgrounds, did not want to fall in line with the command structure within tourist industry, arguably because it resembled the caste structure in the way it was implemented by those at the higher echelons of the tourist industry. The civil society worker interviewed in this study saw this as a cultural barrier towards promotion of the tourist industry in the region. While this may be an individual interpretation of the person concerned, our observations about the way lower category of staff in the tourist industry were treated by their work supervisors and their responses in given situations tended to confirm this interpretation. For instance, when a client wanted tissues to be delivered to a dinner table, the waiter loudly shouted at an assistant who was in another corner in the dining room to bring it from somewhere rather than himself delivering it to the relevant client. The assistant brought it in a haphazard manner and immediately went for some other task. In the tourist industry the management trainees are expected to train themselves in all activities, including cleaning and taking orders from the clients, and this may be something that the local educated youth do not like in view of their employment aspirations and culturally inscribed notions of dignity.

social interventions are required to encourage youth to take up new employment opportunities that become available. We recommend that youth are approached when they are about to leave school, and that awareness is raised through study visits and similar efforts. As we mentioned, hoteliers reportedly also need training. It was mentioned in the stakeholder meeting in Vavuniya that hoteliers supposedly treat hotel staff just as they would treat any other laborer. Hence, they are thought to not provide these workers with due respect and treat them with dignity. Such employers may need to be sensitized to the fact that these are professional and skilled jobs.

## **Development Assistance and Livelihoods**

Sri Lanka in general, and the war and tsunami-affected areas in particular, used to be frequented by INGOs and NGOs, which had the support of international donors and institutions. Much of the NGO activity seems to have recently dried out, as external funds have become very limited (Silva 2009 , North-east Women’s Action Network and Centre for Human Rights and Development 2012, Spencer et al. 2015). This NGO activity may have helped the local population during the conflict period, but their development approach possesses many points of concern as well. We found many gaps in terms of a mismatch between the needs of the people and development assistance.

*“I have got a tailoring machine but I don’t know how to do sewing. Therefore, still, I have it as new and I don’t use it. Now I go to laboring work. If I know tailoring I can earn while being in the home.”--A Female Participant in an FGD in Mannar*

For example, in an FGD among the fisher people in Ampara, we were told that once they were offered boats, when they actually required nets. People who were used to wooden canoes were given motor boats and nets that are used for deep sea fishing, and then the beneficiaries simply sold them cheaply to others. Thus, development assistance does not always reach the people who are really in need at the correct time. In an FGD in Eastern Sri Lanka, Tamil fishermen, who contrasted their situation with that of the neighboring Muslim communities, stated that with no representation in centers of power they are completely cut off from patronage

networks that distribute aid and other resources designed for the economically and socially vulnerable.

Some of our respondents described instances of corruption in the development work coordinated by community based organizations (CBOs). They suggested that leaders of CBOs practiced corruption and nepotism, and at times forged documents, thus, contributing to a mismatch between the needs of the people and development efforts.

## **The Interaction between Livelihood Shifts and Strategic Social Issues in the Northern and Eastern Provinces**

The analysis of livelihood trends in the Northern and Eastern provinces pursued in the preceding sections pointed to the fact that while some important growth centers have emerged in places like Jaffna, Kilinochchi, Vavuniya, Batticaloa and Kathankudi, many of the surrounding areas have become both economically impoverished and socially fragile, as well as ethnically polarized and politically volatile over land issues and control over limited resources. Political grievances in the Northern and Eastern provinces were reportedly suppressed during the immediate post-war era, but protests by those who lost land to the security establishment, those whose loved ones disappeared, and groups such as unemployed graduates have become the order of the day after the change of government in 2015 (International Crisis Group 2016, PEARL 2016).

The current social and developmental context in the Northern and Eastern provinces must be understood in terms of the existing structural inequalities between the South and the Northern and Eastern provinces more broadly, as well as the emerging patterns of structural inequality within the provinces themselves. We previously referred to some of the effects of the structural inequalities between the South and the North, such as the decline of rice milling in Trincomalee and other areas in the Northern and Eastern provinces, due to competition from larger entrepreneurs from the South. Here, we will concentrate on internal differentiation within the war-affected Northeast regions.

- In the Jaffna Peninsula, most people have left the islands and the wealthy have moved into the Jaffna municipal area, where they are investing in businesses. On the other hand, concentrated pockets of wage labor, consisting mostly of people from historically disadvantaged caste groups, have emerged throughout the peninsula (Rasanen 2015, Thanges and Silva 2009, Silva 2017).<sup>12</sup> These pockets have emerged alongside the reestablishment of commercial agriculture by wealthy farmers, who are mostly drawn from the remaining layers of the upper caste Vellalar community (Räsänen 2015).
- As described in KIIs with community leaders in the area and also mentioned during the field visits, a similar process is taking place in Vavuniya, with wealthier people from surrounding areas and Jaffna congregating in Vavuniya town, gaining control over many of the businesses, government employment opportunities and commercial agriculture in and around the town. On the other hand, the rural countryside in Vanni has become a labor surplus area, with a significant presence of people of Indian Tamil origin who are mostly engaged in casual wage labor, both inside and outside the region. It was reported in a KII with an NGO leader from Vavuniya, as well as in an FGD with new settlers in the periphery of Vavuniya District, that the infrastructure in some of the interior regions of Vanni is perhaps the worst in the entire country, with the result that residents are cut-off from any economic opportunities opening up locally, regionally or nationally.
- Within Batticaloa, there is a long established dichotomy between the less advanced Paduwankarai region and the more advanced Eluwankarai area along the coast (Spencer et al. 2015). This dichotomy was further reinforced during the war, as the LTTE was in control of much of the Paduwaknarai area, which encouraged the landed proprietors in the region to move to the Batticaloa town, where Government offices and NGO headquarters were located (Browne, Silva, Suresh and Few 2014, Spencer et al. 2015). On the other hand, some of the villages in the periphery have increasingly moved away from farming and fishing to fulltime or part-time wage labor in the emerging labor market (FGDs

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<sup>12</sup> This point emerged from key informant interviews with civil society actors and an FGD with newly settled people in Jaffna District.



with wage laborers in two locations in the Batticaloa district and Key Informant Interviews with a civil society actor and a religious priest from the area).

- A number of Muslim towns on the East coast, such as Kathankudi, have become important trade centers catering to the demand from surrounding areas (Spencer et al. 2015, McGilvray 2008). We discovered in the FGDs with wage laborers from surrounding areas, there is a daily flow of Tamil labor, particularly from the surrounding villages to these Muslim towns, which have benefited from a combination of factors, including a history of family businesses, remittances from the Middle East, the accumulation of capital, and the purchase of modern farm machinery and fishing equipment. The relatively significant and continuous presence of Muslim politicians from these areas in the political regimes of Colombo have facilitated the economic and political advancement of these towns, and their access to resources and patronage is distributed by successive ruling regimes (McGilvray 2008, Spencer et al. 2015, Husbullah and Geiser 2017). This, however, does not mean that there is no poverty in the Muslim communities (McGilvray 2008). Nor does it mean that all Muslims in the Northern and Eastern provinces are privileged or better connected with the outside world as compared to Tamils in the same areas as some ethnic stereotyping tend to suggest (Spencer et al. 2015). There is an impoverished Muslim periphery in districts such as Mannar and Trincomalee (e.g. Kinniya subdivision of the Trincomalee district), which have been severely affected by the downturn in farming and fishing, as noted in the previous sections, and also confirmed by previous researchers (McGilvray 2008, Browne, Silva, Suresh and Few 2014).

As for strategic social issues, the breakdown of the family, extramarital relations, alcoholism, trauma and perhaps the interrelated issue of domestic violence are not merely the outcome of war as is typically portrayed in the literature (e.g. Somasundaram 2010, Derges 2013), but a cumulative effect of the impact of the war combined with livelihood insecurities and vulnerabilities emerging in the postwar era. Most of these problems tend to be more pronounced and more acute in impoverished villages that rely heavily on unstable wage labor as the primary livelihood sometimes augmented by marginal farming or seasonal fishing. The relevant households may have been

worst affected during the period of war due to a combination of factors including repeated displacement, forced recruitment by the LTTE, death and disappearance of and injury to household members.<sup>13</sup> In the postwar era, they have been compelled to eke out an existence from casual wage labor combined with seasonal labor migration of both men and women, women taking up work as domestic helpers in better-off households locally or in overseas destinations in some instances. This has sometimes resulted in a care deficit as well as chronic problems such as extramarital relations, alcoholism and child abuse in the worst-affected households (For details see Herath 2018). Consumption of a variety of locally brewed illicit alcohol called ‘kasippu’ has become part of the daily routine of male day laborers, fishermen and farmers, particularly in Tamil and Sinhala communities. Further, alcohol is often implicated in domestic violence, suicide attempts and in interpersonal conflicts as was reported by Key Informants such as health workers and women development officers and by participants in FGDs with women (For further details see Usoof-Thowfeek 2018). Inadequate development of social services such as counselling, mental health services, child care services and social work practices on the part of the state, private sector or civil society organizations has also contributed to aggravate this situation. This, in turn, suggests that side by side with economic development effort must be made to develop appropriate social services geared to respond to the needs of local communities.

The heavy debt burden particularly among resettled women in selected areas in Northern and Eastern Provinces came up in a number of Focus Group Discussions with women and men and Key Informant Interviews with development workers and civil society leaders. This has also received considerable attention in mass media<sup>14</sup> and in some unpublished or published work (Rangarajah 2017, Romeshan, Gunasekara and Munas 2014, Kadirgamar 2013). This has been referred to as ‘a household debt crisis’ or ‘debt trap’ triggered by mushrooming of private sector microfinance institutions (MFIs) and leasing companies in towns such as Kilinochchi, Vavuniya, Jaffna, Mulaitivu and Trincomalee (Kadirgamar 2013, Rangarajah 2017). The signs and symptoms of the debt trap includes securing of loans under high interest rates

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<sup>13</sup> This was reported during FGDs in new settlements in Jaffna and Vavuniya, and also confirmed in studies by Thanges and Silva 2009, and Silva 2017.

<sup>14</sup> See for example Ahilan Kadirgamar (2013), Colombo Telegraph, Namini Wijedasa (2014), Sunday Times, and M. Guganeshan (2015), Colombo Telegraph.

(interest rates amounting to 50-70% of the capital per year was mentioned) usually for consumption purposes, including buying or leasing of household durables such as furniture, fridges or cooking utensils, inability to pay back these loans, pressure exerted by the workers in these MFIs on women borrowers in particular to pay the weekly or monthly installments, borrowing from one source to repay the loans taken from another sources and the inability of the relevant people to access loans from banks and government sources such as the Samurdhi Program due to conditionalities and rigid procedures imposed by them.

Kadrigamar described this situation in following terms:

*With consumer goods not seen in decades the population in the North went through a binge of consumption. Such consumption was facilitated by hire-leasing of goods- televisions, refrigerators and scooters with installment payments dipping into savings and remittances. Consumption on credit has led the Jaffna community historically known for its tradition of saving to become mired in debt. Furthermore, livelihoods have been troubled by the lack of steady incomes. (2013: 8).*

According to FGDs with farmers in Jaffna and Killinochchi, the social issues connected with the debt problem include disputes within the family triggered by real or assumed affairs between the women borrowers and the MFI workers—who are almost always young men resented by the husbands of the women concerned—sometimes leading suicide attempts and suicidal deaths. More information on this phenomenon is provided in Usoof-Thowfeek 2018. In a Key Informant Interview, one private sector leader in Jaffna reported that some 16 people committed suicide due to debt related stresses in Jaffna during preceding 12 months. The discussion about the debt crisis in FGDs, Key informant Interviews and in Stakeholder Meetings almost always recognized it as a primary trigger for escalation of suicides in the affected areas in more recent years. The underlying causes for this debt crisis may include the real need among the women borrowers to buy these commodities after resettling and moving into new houses established with donor assistance in many instances, the shortfalls in their financial literacy, unethical or illegal conditionalities imposed by MFIs mostly of Southern origin when reaching out to potential borrowers in

the war-affected areas and the failure of the banks and concessionary government financial services to penetrate into this market for a variety of reasons including their lack of understanding of the specificity of financial services needed by new settlers in the war-affected areas (Kadrigamar 2013, Romeshan, Gunasekara and Munas 2014). Considering the success of the cooperative movement in the Jaffna Peninsula in the prewar era and their reported reputation for being thrifty (see Paramothayan 1990, Kadrigamar 2013) and the limited play of market forces in the affected areas during the war, the debt problem must be seen as a completely new problem connected with postwar dynamics and their sudden exposure to market forces from outside in the postwar era.

Increased opportunities for interaction across the ethnic divide, as well as the economic and social challenges associated with increased ethnic polarization, must be seen as additional dimensions of the social challenges that are emerging in the post-war era. As evident from the FGDs and interviews, many among both the rich and poor in each ethnic group tend to consider “the ethnic other” as the primary cause of their plight and the problems they face. These sentiments are derived from the powerful nationalist ideologies and related mobilizations driving each group over the past several decades (Spencer et al. 2015, Sarvananthan, Jeyapraba & Alagarajah 2017). This was particularly evident in the ethnically mixed Eastern province and parts of the Northern province. These conceptualizations were based on stereotypical characterizations of the ethnic other, paying no attention whatsoever to internal differentiations within each ethnic group, as referred to earlier in this report and also as discovered in several other recent studies (Spencer et al. 2015). In these conceptualizations, development was seen as a zero-sum game, where one ethnic group’s gain was always seen as a loss to another ethnic group. For instance, in the various discussions on increased alcohol consumption, particularly among impoverished Tamil communities in the Northern and Eastern provinces, there was often a tendency to blame the state or security forces for deliberately promoting alcoholism and drugs in these provinces through their policies and interventions, or lack of interventions that take into account why people are turning to alcohol. While state policies may or may not be contributing to the widespread substance abuse problem in the Northern and Eastern provinces, in these accounts there is a denial of the agency of the consumers themselves and their possible use of alcohol as a coping

mechanism to deal with the challenges they face in postwar society. This also points to the need to overcome existing mistrust among different communities in an effort to establish bridging social capital and promote economic cooperation and social interaction across the ethnic divide.

## **Vulnerable Groups**

Special economic and social interventions are needed for particularly vulnerable groups, which include war widows, ex-combatants, people with special needs, abandoned women, and women with young children and youth. According to the informants we met through this study, self-employment remains a viable option for some of these vulnerable groups. We identified road-side food boutiques, sewing, home gardening, dry-fish making, animal husbandry, including poultry and dairy farming, as well as many other potential options for self-employment. The Ammachchi chain of fast food outlets established under a government scheme have emerged as a viable option for self-employment for women in local towns such as Killinochchi, Vavuniya and Ampara. Some women who participated in FGDs in the districts of Baticaloa and Trincomalee mentioned that they are capable of engaging in sewing, floristry, mushroom farming, and hairstyling if proper training is provided to them. This is one area where relevant government, non-government and private sector agencies can provide required training, services and capital. However, there have been many failures and a few successes when it comes to interventions in the area of self-employment. It would be erroneous to assume that every unemployed person has the potential to become a successful entrepreneur (Weeratunga 2010). While training can be given to new persons where necessary, it is arguably more efficient to identify and strengthen existing business start-ups and self-employed. We found that several forms of self-employment, such as sewing or raising milk cows, where these micro enterprises can succeed or fail depending on a number of conditions, as well as the determination, capacity and persistence of individuals involved. Not every unemployed person is ready to start a new business or venture in terms of having the right attitudes, stamina and effort. Development actors must also take into account the marketability of the products and services before loans/grants and training are provided.

Elderly women, whose numbers and relative significance have increased in the conflict-affected population due to demographic processes elaborated in a sister publication (Silva 2017), constitute a distinct group that has arguably been ignored by development actors. As revealed in a number of FGDs with women and key informant interviews with Women Development Officers in Jaffna and Vavuniya, these women often do not have livelihoods support and may live with their children or siblings. They face discrimination on several fronts; they reportedly receive low priority when the government offers resettlement houses (FGDs with women) (see also United Nations 2015). As described in a FGD with women, and also noted by a Key Informant (a Women Development Officer in Trincomalee), people reportedly do not qualify for bank loans if they are above 60 years old, and they usually do not receive other forms of livelihoods assistance from any government agencies and NGOs. At times, their only income may be the limited monthly cash grant provided by the government to destitutes, elderly or disabled, which too is not provided to all eligible women as evident in FGDs with women and Key Informant Interviews with Women Development Officers employed by the state and women activists in civil society organizations.

As for the youth in the Northern and Eastern Provinces there is a significant gap between their employment aspirations and opportunities available in the labor market. Youth seem to be preoccupied with the desire to secure government employment with fixed salaries, promotional prospects and retirement benefits or the determination to explore livelihood opportunities abroad tapping their contacts with the diaspora at least in some instances (Gunathilaka 2010). On the other hand, it was reported in KIIs (with a hotel owner and a senior manager of a hotel in Batticaloa District, and from a leader of the IT industry in Jaffna) that the emerging enterprises such as the tourist industry, IT industry and retail outlets such as the Food City have failed to attract suitable recruits locally or retain them within their enterprises once recruited. While opportunities for government employment for local youth must be expanded where necessary and feasible, efforts must be made to diversify their employment aspirations through required changes in education programs, vocational training, counselling services and community development initiatives in general.

## **Policy Implications and Program Relevance**

A number of policy relevant ideas emerge from the analysis pursued in this paper.

The first is that instead of supporting isolated development interventions, carried out by different agencies independently of one another and with no sufficient coordination among themselves, the Northern and Eastern provinces require a coordinated development program which both targets and involves the affected populations, particularly in the impoverished communities. While making efforts to build upon existing growth points and patterns of economic dynamism, deliberate attention must be paid to overcome economic and social obstacles in the countryside, including rural roads, unrestored irrigation systems and overall breakdown of family and community structures. Further, a concerted effort must be made toward the promotion of self-employment among women, youth and other socially disadvantaged groups.

Livelihood and economic development projects should not be left entirely to the agencies that have traditionally taken up these initiatives. A broader coalition of actors must be brought together in order to develop and implement these programs. For example, universities in the region have to be brought in to the process so that their research will address the current issues at stake, as well as to inform future policies and interventions.

Further, livelihood interventions cannot be conducted in isolation of social interventions. It must be noted that the social issues and challenges faced by these communities impact the manner in which economic and livelihood interventions are received and responded to. Thus, the provision of social services also needs to be improved, and livelihood and economic interventions must include components that strengthen family, community organizations, mutual support mechanisms and interethnic and interreligious alliances.

Development assistance in the area of livelihoods must be better targeted and conducted with the active participation of the target communities, including vulnerable groups. The active participation of local communities is needed in all stages of the interventions from their conceptualization and planning to implementation of the activities.

Given the unresolved ethnic sentiments and grievances of many communities, as identified in this assessment and evident from the political articulation of these sentiments, ethnic reconciliation must proceed hand-in-hand with economic development initiatives in the war-affected areas (Herath and Silva 2012). In light of the issues raised in this report, any effort to promote post-war economic recovery that does not seek to address grievances, resentments, hidden hostilities and strategic social issues such as community and family breakdown is unlikely to succeed and bring about desired economic and social transformations.

Finally, given the specific social issues identified in this assessment, urgent attention is needed from the state and its development partners toward social policies relating to family, development of community-based organizations, promotion of social capital, prevention of substance abuse and development of counselling services. Further, existing vacancies in the social sector for positions such as counsellors, women development officers, child protection officers, social workers and elderly care must be filled across all agencies—namely in the government, provincial councils and local government agencies. There is also a need to develop capacities of these workers to respond to local needs such as the need to contain alcoholism and other addictions, strengthen families and community structures and counter diverse forms of social inequalities including gender, caste, social class and ethnicity.



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# Postwar Livelihood Trends in Northern and Eastern Sri Lanka

By

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Using a wide range of information collected through key informant interviews, FGDs and Stakeholder Consultations, this report documents the livelihood shifts in the Northern and Eastern Provinces since the end of war in May 2009. For a vast majority of impoverished people who have survived the war, casual wage labor in an unstable labor market characterized by low wages, absence of continuous work and terms and conditions dictated by the employers, have become the main source of livelihood, replacing farming and fishing, the two leading livelihoods in the area for generations. The demand for wage labor has obviously increased in the postwar era due to the construction boom associated with new constructions including roads and other infrastructure as well as housing. In spite of multiple investments by GOSL and partner organizations including donors and civil society organizations the progress achieved have been slow also due to new challenges such as high cost of production inputs, poaching by Indian trawlers, crop damage by wild animals and possible effects of climate change. While prospects for restoring pre-established livelihoods in Northern and Eastern Provinces must be further explored, diversification of livelihoods in line with the aspirations of youth is essential. This is where IT industry, tourism, fish culture, contract farming and overseas employment must receive greater attention in development policies and interventions.

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