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COMMON COUNTRY ASSESSMENT (CCA)
SRI LANKA**



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Common Country Assessment (Sri Lanka)

2006

Introduction

The UN's Common Country Assessment (CCA) in Sri Lanka analyses key development issues on peace and governance, poverty reduction and the achievement of the Millennium Development Goals (MDG). The report describes the socio-economic and political context of Sri Lanka (including the impact of the tsunami and the conflict) and identifies key areas relating to political, economic and administrative governance. Finally, the report identifies some areas of cooperation and provides an indicator framework.

The purpose of the CCA is to lay the foundation for the subsequent development of the United Nations Development Assistance Framework (UNDAF). It provides a contribution to the upcoming country programmes, and has been prepared in close cooperation with the World Bank (WB), the Asian Development Bank (ADB) and the International Organization for Migration (IOM). The International Monetary Fund (IMF) has also actively contributed to the preparation of the document.

This assessment has been prepared and led by the UN Country Team, made up of UNAIDS, the FAO, ILO, IOM, UNDP, UNEP, UNFPA, UN-Habitat, UNHCR, UNICEF, UNOPS, WFP, WB, WHO, with support from the IMF and ADB, and in close collaboration with the Government. The discussion with the government on the CCA has also served to contribute to the preparation of a National development Strategy (NDS), which will orient national development choices in the next 6 years. At an early stage of the preparation of the CCA (February 2005), the UNCT presented a note "*Elements for further dialogue on the upcoming National Development Strategy*" to the Government.

The previous CCA/UNDAF covered the period 2002-2006. The current CCA was initiated in 2004, but was later postponed as a result of the devastating impact caused by the Tsunami which struck the country on 26 December 2004. Therefore, the current UNDAF cycle has been extended until 2007 and the new UNDAF cycle will cover the period 2008-2012.

The previous CCA/UNDAF was drafted before the resumption of peace talks and the signature of the Cease Fire Agreement. Since then, A Post Conflict Needs Assessment (2003), a Post-Conflict Multilateral Transitional Strategy (2004) and a UN Post-tsunami Transitional Strategy (2005) have been drafted and are being implemented. Forecasting the precise future of development cooperation is difficult in the current security circumstances and will demand some level of flexibility in the planning cycle.

The CCA has been prepared in consultation with government, bilateral donors, civil society, private sector and UN non-resident agencies. In addition, an Advisory Group made up of representatives of government, academia, civil society, trade unions and private sector provided strategic advice at different stages of the elaboration of this document. Government input was obtained for the revision of a series of drafts with consultative meetings being held in February, June and August 2006.

CHAPTER 1

THE DEVELOPMENT CONTEXT

1.1. Overall challenges

The challenges posed by the United Nations *Millennium Declaration*, agreed in 2000 by 191 countries, are fundamental to Sri Lanka's development experience. Sri Lanka is simultaneously seeking to solve decades of civil conflict; to eradicate poverty and promote sustainable human development; to protect a precious environment that is prone to natural hazards and disasters; and to ensure respect for democratic traditions, the rule of law and fundamental human rights.

A major development which must be taken into account by the UN and all development partners in Sri Lanka is the country's recent transition from being a low income to a middle income country with the eventual prospect of reaching high income country status. The profound implications of this transition need to be flagged.

Sri Lanka has already made impressive achievements towards meeting the *Millennium Development Goals*. In some areas—such as universal primary school enrollment, gender equality in primary and secondary school enrollment, and health outcomes—the country is well poised to meet the MDG targets before 2015. However significant challenges remain, particularly in increasing the quality and equitable access to services, in reducing income poverty and malnutrition and maintaining and consolidating peace.. Given Sri Lanka's noteworthy record on human development, there may be a need to set higher goals and standards (MDG+) and progressively explore more qualitative indicators of success. There is also a pressing need to improve the availability of disaggregated data on many sectors in order to facilitate more qualitative assessments of progress. National figures on the MDGs do not reflect the inequalities that exist particularly in the different geographical areas of the country. Hence localizing of MDGs through the budgets and programs of the Local Authorities would ensure a better coverage to the overall MDG campaign.

The genuine desire for peace that exists broadly throughout the whole country, as confirmed by regular public opinion surveys,ⁱ along with policy pronouncements by the country's leadershipⁱⁱ on the vital importance of peace for harmonious development gives hope in addressing this central challenge.

Despite years of conflict and emergency, Sri Lanka has proudly maintained an unbroken and vibrant democratic tradition since independence. It is a state party to all seven major international *human rights treaties*, as well as many of the core labor conventionsⁱⁱⁱ. Sri Lanka's Constitution includes a far-reaching fundamental rights chapter and there is a strong political commitment to develop a new and more comprehensive Human Rights Charter. The Supreme Court has a long tradition of human rights jurisprudence and the Human Rights Commission of Sri Lanka has developed as an important national protection mechanism. However, observations made by the various UN Treaty Bodies suggest that challenges remain in order to ensure the effective implementation and protection of human rights at the national level.

1.2. The impact of natural and man-made disasters on the development process

Twenty-years of armed conflict have had a major impact on economic and political developments in the country. The conflict has left over 65,000 dead and, at times, up to one million displaced. It has caused heavy destruction of material assets and widespread human suffering. In general terms, the Ceasefire Agreement concluded between the GoSL and the Liberation Tigers of Tamil Eelam (LTTE) has had a largely beneficial impact on human security and the prospects for economic reconstruction and recovery. The CFA has facilitated the implementation of reconstruction programmes in the North East (e.g. on housing for IDPs, infrastructure and livelihoods). An estimated US \$ 1.2 billion has been committed^{iv} and an estimated \$645 million has been disbursed since 2003^v in the north and east (in addition to \$343 million for post tsunami reconstruction in these areas). In the country as a whole solid economic growth resumed after the CFA (see chapter II).

The CFA and broader peace process have also been steadily eroded by rising levels of violence and human rights violations, particularly since an internal split in the LTTE's eastern ranks in 2004 giving rise to a breakaway "Karuna faction". Since 2002, the Sri Lanka Monitoring Mission (SLMM) set up in terms of the CFA has received 8,319 complaints of violations of the CFA, and has ruled as violation 3,704 by the LTTE and 169 by the government. Regarding underage recruitment by the LTTE, the cumulative statistics demonstrate some progress: of the 5,472 total cases verified by UNICEF, 1,424 cases remain outstanding. Data shows that child recruitment fell from 1,463 in 2002 to 579 in 2005^{vi} but the phenomenon remains a human rights issue of the highest concern.

More than 380,000^{vii} people remain displaced by the conflict, with new population movements in recent months in response to heightened violence. Violence reached new levels with more than 600 people killed between November 2005 and May 2006, including more than 300 civilians. Both the GoSL and the LTTE, however, have stated their continued commitment to the implementation of the CFA.

In 2002, the GoSL invited the UN to support the socio-economic dimensions of the peace process. Since then, UN agencies have made a major contribution to humanitarian and reconstruction and rehabilitation programs throughout the conflict-affected areas. These include the 4R program for IDP resettlement and reintegration, the Action Plan for War-Affected Children and Mine Action programs.

The increasing strains to which the CFA has been put in the context of rising levels of armed conflict at the time of writing pose particular challenges for governance, the delivery of services, and economic development in the north and east of the country. The LTTE is believed to control approximately 6,000 square kilometers of land, mostly in the Northern Province^{viii} and this is being increasingly contested by the Government.

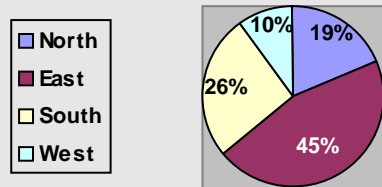
While the parties have been committed to the CFA and statistical development indicators have shown evidence of progress towards the millennium goals, limited attention has been given to confidence building in the North and East. If not addressed, the risk of a further polarization will have negative impact on equitable development of the country.

Enormous challenges were also posed to Sri Lanka's development by the devastating impact of the *Tsunami* which hit the island on 26 December 2004 (see Box 1), the worst disaster in the history of the island.

Box 1**Impact of and recovery from the Tsunami: some key figures**

It is estimated that about 35,000 people died, 150,000 person lost their livelihood's,, 75% of the total fishing fleet was destroyed, 23,449 acres of cultivated agricultural land was salinated and 53 registered large hotels, 248 small hotels/guesthouses and 210 small tourism related enterprises were damaged and nearly 100.000 houses, 200 education and health facilities needed to be repaired/rebuilt. Social networks were disrupted. The challenge of the relief, recovery and reconstruction was enormous. An impressive show of human kindness and sharing by the local people was demonstrated in the immediate aftermath. Apart from the coastal communities already being comparatively poor in the Sri Lankan context, the tsunami has compounded previously existing vulnerabilities: the North East is the region worst affected by the tsunami (64% of the financing needs).

Graph 1. Recovery financial needs by district



The total cost of the required relief, rehabilitation and reconstruction effort has been estimated at approximately US\$ 2.1 billion. The largest financing were needs identified in the east (45%), followed by south (25.9%) North (19%) and west (10.1%) (Graph 1). The response of the international community was impressive, and \$2.2 billion have been committed to Sri Lanka. 18 months after the disaster, the country show shows a positive recovery rhythm: 40% of the permanent houses have been finished, an estimated 70-85% have regained their main source of income, the reconstruction of schools, health facilities, water systems and large scale infrastructure is under way.

The GDP growth in 2005 was 6%, and was not significantly affected by the tsunami. Under a *build back better* approach, promoted by the Global Consortium of Tsunami affected countries, it is expected that affected areas will improve their situation compared with the pre-Tsunami situation. It is also expected that some of the guiding principles of the recovery process (e.g. equity, participation and accountability to beneficiaries will transcend the Tsunami affected areas). This will require that the country improve its disaster management and early warning capacities along with a positive evolution of the peace process. A newly established Tsunami Recovery Impact Assessment and Monitoring System (TRIAMS) should ensure the response measures the impact of the recovery process in a 3-5 year timeline.

The unprecedented damage caused by the Tsunami also offered some opportunities for the peace process, which however have not materialized. In the early stages of the relief and recovery effort, the Government and the LTTE worked together to address immediate needs. Negotiations between the Government and the LTTE for the creation of a joint mechanism to oversee the recovery and reconstruction process led to the signing of the P-TOMS agreement^{ix} in June 2005. The constitutionality of the agreement was immediately challenged in the Courts and the agreement remains un-implemented.

1.3. The framework of the CCA analysis: some underlying development issues

This CCA seeks to identify the critical challenges Sri Lanka faces in its development path in the context of the Millennium Declaration and the achievement of the MDG's. It recognizes that there is a fundamental link between efforts to bring peace and security to the country; to strengthen democratic governance, respect for human rights and the rule of law; and to combat poverty and promote sustainable human development. On one hand the conflict has sapped the economic potential of the country and cast a shadow over its political life. On the other, problems of governance and economic disparities have been the source of many grievances that underlie the conflict. Therefore, poverty reduction and improvements in governance are necessary

ingredients for building a just and sustainable peace. The evolution of the peace process will fundamentally affect the prospects for economic growth and governance reform.

This analysis is therefore based on the assumption of a continuation of the ‘no peace/no war’ situation with fluctuating levels of military activity and violence. Within the five-year timeframe envisaged for the UNDAF (2008-2012), both a revival of the peace process in some form or a resumption of hostilities is possible.

In this context, this analysis assesses the progress Sri Lanka has made in pursuing the objectives of the Millennium Declaration and the Millennium Development Goals and meeting its human rights obligations. While recognizing areas of progress and success, it focuses more on the quantitative and qualitative “gaps” and areas where improvement is needed. It seeks to identify the immediate, underlying and root causes of these problems, paying particular attention to those groups who have been excluded or marginalized from the political, economic and social process. Using a rights-based approach, some fundamental challenges have been identified:

1.3.1 Equity and inclusion.

The first challenge is the need to ensure equity and inclusion in sharing the dividends of economic growth and peace. Other than a significant income inequality, we should mention the following points:

1.3.1.1 **Regional disparities:** There are significant structural disparities in levels of economic development between the Western Province and the rest of the country. In addition to that, the Estates sector and some areas of the North-East seem to be poorer than other areas of the country. The North-East still shows damaged and neglected infrastructure and insufficient public services, partly due to the impact of conflict, but the inequities and perceptions that flow from them in turn exacerbate the conflict.

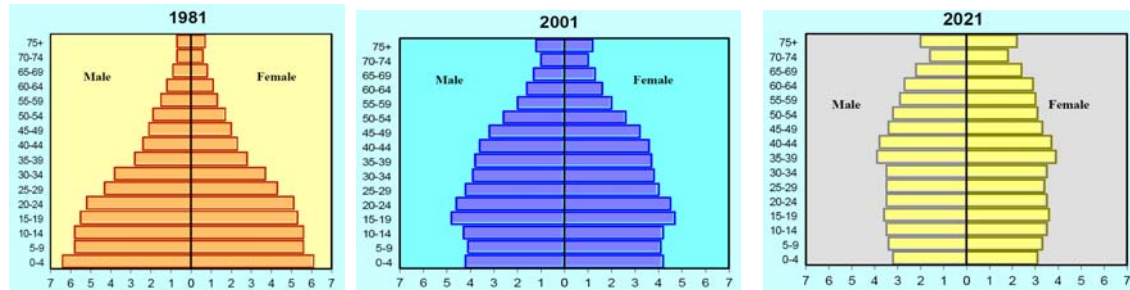
1.3.1.2 **Gender equality:** There are specific concerns for gender equality and women’s empowerment in Sri Lanka. Female representation in parliament and local government is low compared to many South Asian countries. Women are also under-represented at decision-making levels in the public and private sector and are mainly in low paid, unskilled and unstable employment compared to men. The potential role of women activists and community leaders in support of the peace process has not been fully tapped. Other problems derive from the existence of parallel systems of law, significant levels of gender based violence and special vulnerability of migrant women to abuse.

1.3.1.3 **IDPs:** More than 380,000 people remain displaced by the conflict. While progress has been made in broadening the types of support provided to conflict IDPs, there remain formidable obstacles to successful IDP return. These include land issues (encroachment, High Security Zones); security; lack of infrastructure to address basic needs; lack of viable livelihood and employment options.

1.3.1.4 **Elderly and youth:** Sri Lanka is currently undergoing a significant demographic transition. With low reproductive rates and an ageing population, the elderly will have growing needs for social protection. At the same time, the lack of access for young people to quality education and productive employment is generating new social pressures and problems.

Box 2**Demographic transition**

Sri Lanka is now entering the final phase of demographic transition in a scenario of low fertility and low mortality. Currently the population growth rate in the country is estimated to be 1.1 per cent with a total fertility rate (TFR) of 1.9 and a life expectancy at birth of around 73 years. Given the current fertility and mortality indicators in the country the population is expected to stabilize around 24 million in the year 2030. Sri Lanka will also witness a doubling of its aged population (over 60 years) to 22 per cent of the total population by 2031. Sri Lanka has experienced an increasing trend in the ageing of its population since 1950s. The share of the elderly population increased from 5.4 per cent in 1946 to 10 per cent in 2001. These demographic trends indicate that the proportion of the younger population below 15 years of age is decreasing. However, in absolute terms the young population (10-24 yrs) is increasing and currently constitutes about 27 per cent of the total population. Thus Sri Lanka has begun the conversion of its age pyramid from being broad at the base to a “barrel shape”. [See graphs below]

Graph 1: Demographic Transition**1.3.2 Participation and empowerment.**

The second challenge is the need to ensure the effective participation and empowerment of people in the decision-making processes that affect their lives. The Mahinda Chintana makes a powerful commitment to “devolve power to the level of the citizen.” The introduction of the new People’s Councils (Jana Sabha) could have an important impact in this regard. Currently, people often lack the information and awareness needed to participate fully and make informed choices, and the political access and legal tools to claim their rights and entitlements. Meaningful engagement by the public sector with civil society varies widely between sectors. A top-down approach from central levels is often perpetuated by local authorities through ineffective village communication channels. Where platforms and mechanisms for dialogue and participation might exist within communities, that is not the case between communities. This is particularly true of the peace process, which has remained a very formalized Track One process between the GoSL and LTTE. The United Nations has positive recent experiences on which to build, for instance its support for the People’s Consultations on tsunami assistance conducted by the Human Rights Commission through 2005.

1.3.3 Protection of human security and human rights.

As the Sri Lankan Government recently stated to the UN Human Rights Council, "No state can be oblivious to the widening ramifications and consequences of human rights violations, which affect the very foundations of democracy, peace and stability and sustainable development." ^x The creation of a new Ministry of Human Rights and revival of the Permanent Standing Committee on Human Rights underscore the Government’s commitment to ensure the protection of human security and human rights through the rule of law and its effective enforcement. In the course of

twenty years of conflict, there has been a progressive militarisation of social and political life, especially in the northeast that has heightened violence and closed democratic space. While Sri Lanka has a sufficient legal and institutional framework to protect human rights, too often there is an implementation and enforcement gap. There are significant barriers to accessing the formal justice system and alternative channels for mediation and redress are relatively weak and overstretched.

These development challenges are explored and analyzed in greater detail in the Chapters below which cover the three pillars of this CCA – namely the reduction of Poverty, the improvement of Governance and the consolidation of Peace.

CHAPTER II

ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS: REDUCING POVERTY, GENERATING PRO-POOR GROWTH AND EMPLOYMENT

The contextual framework:

Within the overall context of the Millennium Declaration and the Millennium Development Goals, Sri Lanka has made impressive gains in social indicators that are comparable to those achieved by middle-income countries. In areas – such as universal primary school enrollment, literacy rates, gender equality in primary and secondary school enrollment and many other outcomes – the country is well poised to meet the MDGs before 2015. In such areas Sri Lanka could be setting itself MDG + targets. However, significant challenges remain in reducing income poverty, malnutrition and protecting the environment. The modest decline observed in poverty reflects primarily insufficient and uneven economic growth outcomes with deep pockets of poor people living across regions. This phenomenon of mixed results in the achievement of the MDG targets requires a deeper understanding of the root causes of poverty; and the interrelationship between growth and human development. As such, the underlying issues pertaining to sustainable growth with equity across all strata of the society are considered to be of key importance in the Sri Lanka context. To this end, it is essential to generate a pro poor growth strategy that will ensure i) a rights based approach; ii) macro economic stability and creation of decent employment opportunities; iii) legal and institutional reform for good governance; iv) social justice with equitable and efficient delivery of basic services. The analysis that follows, attempts to capture these fundamental elements for a broader inquiry into the causes and effects of poverty in Sri Lanka.

Part I

2.1.1 Poverty, income distribution and growth.

Despite the progress on education and health indicators, income poverty remains a challenge and particularly in the context of the existing deep regional disparities. In 2002, about a quarter of the population was poor. From 1990/91 to 2002, the average poverty headcount declined by only 3%, reflecting wide disparities in poverty incidence across sectors and regions. While urban poverty halved, rural poverty dropped less significantly, and poverty in the estate sector (predominantly Indian tamil) grew by over 40%. (The poverty headcount does not cover the Northern and Eastern provinces). Similarly, while poverty in the Western Province almost halved, it remained relatively unchanged in North Western Province, and increased in Uva and Sabaragamuwa. Sri Lanka's uneven poverty trends are largely due to two factors: (a) disparity in regional growth performance and (b) rising inequality among income groups.

Table.1 : Poverty Headcount by Sectors and by Province –
1990/91 to 2002

| | 1990/91 | 2002 |
|------------------|-----------|-----------|
| Urban | 16 | 8 |
| Rural | 29 | 25 |
| Estate | 21 | 30 |
| Province | | |
| Western | 19 | 11 |
| North Central | 24 | 21 |
| Central | 31 | 25 |
| North Western | 26 | 27 |
| Southern | 30 | 28 |
| Sabaragamuwa | 31 | 34 |
| Uva | 32 | 37 |
| Sri Lanka | 26 | 23 |

2.1.1. a The regional disparities are largely due to the concentration of economic growth in the Western Province. For instance, during 1997-2003 growth in the Western Province averaged 6.2 percent annually compared to 2.3 percent in the rest of the country. As a result, the WP's share in GDP increased from 40 in 1990 to nearly 50 percent in 2002. With a per-capita GDP 2-3 times higher than the rest of the country, the Western Province experienced the steepest reduction in poverty—from 19 to of 11 percent—over the period. The underlying causes seem related to differences in economic opportunity

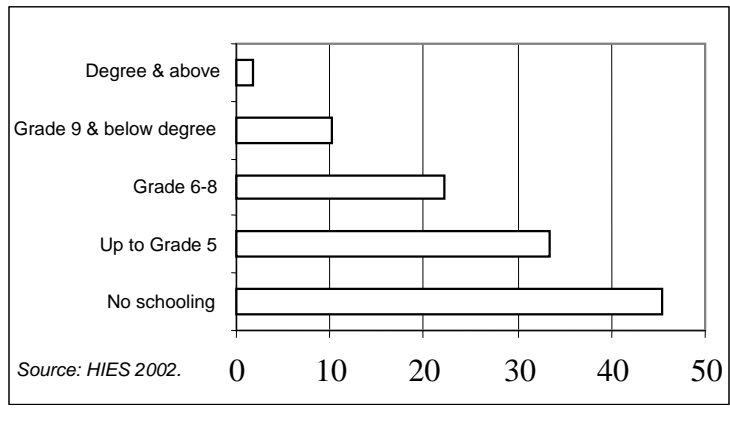
arising from the fact that the Western Province is better integrated to global markets—concentrating the bulk of high-value industrial exports and services— while the rest of the country continues to rely on low-value agricultural activities.^{xi}

2.1.1.b **Income distribution.** Disparities in economic growth have been accompanied by increased income *inequality* among income groups. Average per capita consumption grew by 50 and 25 percent for the top two richest quintiles but only by 2 and 6 percent for the poorest two quintiles. Consumption inequality (measured by Gini coefficients) increased at an annual rate of 2 percent in Sri Lanka. It is estimated that the Gini coefficient of Sri Lanka is 0.46.^{xii}

2.1.1.c **Poverty and vulnerability** (the risk of falling into poverty or deeper into poverty) are closely linked, since the poor or those just above the poverty line are more likely to suffer from a community-wide or household-level shock. In Sri Lanka, there is a high concentration of the population around the poverty line (see graph 1), implying that a small shock to consumption can cause large increases in poverty incidence. The concentration is significantly higher in the estate sector and has increased over the decade.^{xiii}

2.1.1.d **Correlates of Poverty**^{xiv}. Poverty is closely associated with the level of educational attainment and employment status of household members. For example, in 2002, almost half of household heads without any schooling fell under the poverty line. In turn, educational attainment is an important determinant of the type of occupation that household members can undertake. A household is more likely to be poor when members are employed in low skilled occupations, for example as an agricultural worker. But there are some apparent contradictions. Households where the main income earner is in regular wage employment are the worst affected by poverty and by contrast, only 5 per cent of households where the main income earner is unemployed are considered to be in poverty. This means that the working poor are worse off than the unemployed, which in turn points to deficits in decent working conditions preventing the employed from exiting poverty. Poverty is also associated with youth unemployment. The link between youth unemployment and poverty is explained by the fact that unemployment is particularly high among school dropouts who in turn are likely to belong to poor households. In addition to the individual attributes of household members, poverty is also linked to poor accessibility^{xv} to markets and towns and usage of electricity.

Graph 2: Poverty Headcount (%) by Education Attainment of Household Heads, 2002



Although poverty data are not available for North and East, according to data from the Central Bank household surveys, the average household incomes in these provinces are similar to the rest of the country, excluding the Western province. The region's development and growth opportunities have continued to be undermined by conflict related factors. In addition to having 380.000 internally displaced persons (IDPs), the Tsunami which struck the country on 26 December 2004 – a double burden for some- may have exacerbated poverty in affected areas. Tsunami recovery interventions have also offered opportunities.(see Box 3).

Box 3 Post-Tsunami efforts on livelihoods & employment: the challenge of building back better

Restoration of the livelihoods of 150.000 persons was a huge challenge. The findings of the RADA/ILO "Needs Assessment Survey for Income Recovery (NASIR)" (end of 2005) suggested a 15% non-recovery rate among households headed by men and a 35% non-recovery rate among those with women. It was found that displaced people were more vulnerable. An important sub-group of persons now working are those who had been working before the tsunami. Their employment rate indicates progress towards reverting to their previous or finding a new form of sustainable livelihood.

The survey also shows (one year after the tsunami) that of adults now working, *10% had not been working before the tsunami*. Among youth who are now working, *25% had not been working before the tsunami*. However, comparison of their current situation with their pre-tsunami situation, indicate higher levels of job insecurity and often lower levels of income (e.g. jobs in the tourism sector). These figures suggest that Post-tsunami interventions have possibly opened new opportunities for some vulnerable groups, but further research and analysis will be needed to show if these trends are sustainable and will go beyond current Post-Tsunami recovery interventions.

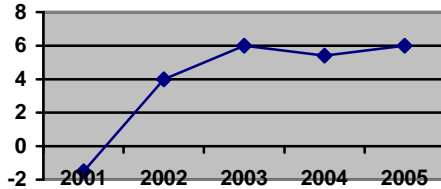
Evidence also suggests that many households that were affected by the tsunami are those in which one or more members of the families were engaged in overseas employment. Many of these families lost their belongings, acquired from earnings abroad, in the tsunami. This is another aspect that needs to be taken into consideration in restoration efforts.

2.1.2 The macroeconomic context

Sri Lanka's economy demonstrated its resilience in 2005 by a 6% growth.^{xvi} However, recent poverty trends (see next section) underscore the need for faster and more balanced economic growth. In particular, conditions need to be created to raise employment generation and labor productivity. This will be a challenge in light of the country's structural weaknesses, including: high public debt, limited export diversification against the backdrop of the abolition of the Multi-

fiber Agreement (MFA) since January 2005, and relative stagnation of non-plantation agriculture and the rural economy.

GDP 2001-2005 (%change)
Graph 3



Addressing structural weaknesses will require containing fiscal deficits to create room for increased investment, diversifying the export base into high value and employment-intensive activities, and realizing the growth potential of non-plantation agriculture. To do all will require putting in place a more conducive public investment program and

encouraging foreign and domestic private investment. It will be also essential that in managing the economy, gains from past reform efforts be sustained.

2.1.2.a GOSL's Economic Strategy: accelerate economic growth and reduce regional disparities. The broad elements of the Government's strategy to reduce poverty can be found in various documents issued since 2004. A key medium term objective for reducing poverty is to raise economic growth from the historical annual average of 5 percent to 8 percent by 2008. This is to be achieved through a substantial increase in total investment from around 25 to 35 percent of GDP. The strategy places greater emphasis on the role of the state as an engine of growth and envisages a sharp increase in public investment, partly to be financed by improved public savings.^{xvii} Key priority areas under the strategy include macroeconomic stability, increased investment in economic infrastructure (power and roads), and support for rural development and SMEs. It also emphasizes the need to reduce regional inequalities and to create income generating activities to assist the poor. The Government's objectives and priorities to accelerate growth and employment generation seem appropriate to reducing poverty. There is a considerable overlap between the above mentioned priorities and those identified by a recent Investment Climate Assessment (ICA)^{xviii}.

2.1.2.b. Macroeconomic framework. In the last two years, Sri Lanka has faced significant challenges including changes in the administration, steep oil price increases, drought and floods, the tsunami, and the deterioration in the security situation. These factors combined with expansionary financial policies led to a build up in inflationary pressures since mid-2004. However, the adoption of corrective measures and extraordinary tsunami-related external financial flows helped to improve the fiscal and external situation and supported a strong economic growth in 2005 (6%). However, fiscal policy has remained expansionary and monetary policy accommodating, and the room for policy maneuver remains limited, particularly in the fiscal area. The fiscal deficit (including tsunami expenditures) remained high at 8.7 percent of GDP in 2005 and money supply expanded at about 20 percent^{xix}. Continued efforts at strengthening economic fundamentals should help reduce the country's vulnerabilities to external shocks and create the conditions for enhancing the efficiency and level of investment needed to move to a higher growth path. Moreover, as acknowledged in Government's policy documents, steps will be needed to create the fiscal space necessary to permit higher public investments.

2.1.2.c. **Fiscal sustainability and fiscal space.** Further fiscal consolidation is vital to ensure economic and fiscal sustainability. Lowering and maintaining low deficits reduces the debt burden and provides room for policy *manoeuvre* (e.g. necessary investment on MDG). The medium term fiscal framework accompanying the 2006 budget proposes to reduce the deficit and the public debt to 5 and 85 percent of GDP respectively by 2009. This is particularly important with public and publicly guaranteed debt of about 100 percent of GDP and interest payments at 40 percent of total tax revenue. Areas which deserve the greatest attention include:

(i) Enhancing revenue performance. Several new taxes and tax administration measures have been adopted since late 2004 and the declining revenue trend resulting from reduced reliance on trade taxes is being partially reversed. On revenue targets, the objective is to raise revenue from 16.4 percent of GDP in 2005 to 19 percent in 2009 (from 21% in 1990). Although these are encouraging developments, revenue forecasts which underpin budgetary appropriations have continued to fall short of target, making it difficult to implement expenditure plans—particularly investments—and creating pressures to raise domestic financing. At the same time, the tax system has become increasingly complex—i.e., three-tier value added tax (VAT), numerous import cesses, and increased exemptions. Against this backdrop, key immediate challenges include (a) broadening the tax base (for example extending the scope of VAT) and simplifying the tax structure, and (b) striking a better balance between using realistic revenue projections and keeping the revenue targets sufficiently ambitious to challenge the tax collecting agencies.

(ii) Expenditure rationalization. Currently, the bulk of the budget is directed to fund recurrent costs (20 % of GDP), with little left for investment (5% of GDP). The room for discretion in the short term is limited as the combined expenditure of wages and salaries, interest payments and pensions is almost equal to total tax receipts (about 14 % of GDP). There is however significant scope for creating fiscal space by rationalizing expenditures, especially given the overstaffing, duplication and fragmentation of the public administration (see chapter 4). Progress is being made in these areas, through efforts to develop sector-based budgeting under a medium term expenditure framework (MTEF). As part of this effort, it will be important to limit the scope and to improve the targeting of rising subsidies and transfers. Notably, there is concern about rising fuel subsidies, which have little benefit for the poor, and subsidies to loss making public corporations and institutions—absorbing 1 % and 2% of GDP, respectively.

(iii) Reducing the public debt burden. The Government projects to finance the deficit primarily through concessional debt. Currently up to 95% of external funding sources are grants or soft loans. It seeks to progressively increase reliance on commercial external borrowing. If commercial borrowing is limited and well managed, it can establish Sri Lanka's place in external markets, in preparation for the time when concessional resources are no longer available. It can also, as is currently intended, be used to retire more expensive foreign-currency denominated domestic debt and thus help to improve the debt service profile.

2.1.3 The Investment Climate

In addition to macroeconomic stability, the improvement of the investment climate is critical to generate growth. This would require addressing infrastructural bottlenecks (particularly in power and roads), as well as ensuring that the financial sector, labour markets and trade and investment are effective and conducive to pro poor growth.

2.1.3.a. Infrastructure

Power. The power sector in Sri Lanka is in crisis, with potentially serious consequences for growth and macroeconomic stability. Power generation has not kept up with demand, electricity tariffs are among the highest in the region despite being heavily subsidized, and below cost-recovery tariffs have seriously undermined the financial situation of the state-owned Ceylon Electricity Board. Sri Lanka's high electricity cost is due to heavy reliance on expensive diesel-fuelled thermal plants, weak management of the power sector (including political interference) and a lack of investment in cheaper and more fuel efficient options. Recent Government decisions to commence work on Upper Kotmale (hydro-power) and Norochcholai (coal power) power projects are to be welcomed. High costs undermine the competitiveness, especially of electricity intense industries (such as ceramics), but also have an impact on other prospective drivers of growth such as tourism.^{xx} Improving the performance of the sector will require progress on four fronts: (i) updating and implementing a least cost generation plan to ensure access to cheaper electricity in the medium term; (ii) increasing tariffs to prevent CEB's financial collapse and to reduce the burden on the budget; (iii) restructuring of CEB's short term debt; (iv) improving CEB's operating performance. Progress is being made in some of these areas^{xxi}.

Roads. Sri Lanka has a very dense road network with 1.5km of road per km², but 55% of national roads and 65% of local roads are either in a poor or bad state, due to lack of maintenance. Rural and urban markets are poorly connected with adverse consequences on poverty (which is closely correlated to 'accessibility indicators'), and factor productivity (which is 44% lower for companies badly connected than those with good access). Congestion has also become a serious problem, as traffic increased by 20% per year in the early 1990s, slowing down to 10% during the last 5 years. A major road infrastructure project is the southern expressway, which will be completed by 2010. Two other important road projects are due for implementation; the Katunayake expressway (to be recommenced) and the expressway to Kandy (agreement signed with the Malaysian government). WB and ADB support for road infrastructure has been negotiated. With the passing of the 13th amendment to the Constitution (see chapter 4), the management of 90 % of roads has been decentralized to provincial and local authorities; the Road Development Authority now only manages 10,000 km of roads. As a result a multiplicity of agencies – Provincial Councils, Municipalities and Pradeshiya sabhas, are now involved in managing the maintenance and planning of the road network, making the process cumbersome, costly, and non-transparent. The two major issues are to (i) increase funding both for maintenance and road construction; and (ii) improve the planning of new investments and maintenance. The recent establishment of a Road Maintenance Fund is noteworthy.

2.1.3.b. Financial Sector

Banks. The health of Sri Lanka's banking sector is improving, primarily because of a reduction of non-performing loans (NPLs) and increasing provisioning. The share of gross NPLs to total advances has fallen from 10 % in 2004 to 7.7% end 2005, with substantial progress made by the state commercial banks, where NPLs fell from 11.6 to 9.2%^{xxii}. While interest rates and spreads have fallen,^{xxiii} they remain relatively high. High spreads reflect primarily the low efficiency of state owned banks which still dominate the sector. These banks have costly branch networks, overstaffing, undiversified customer base (with a focus on government corporations such as CEB and CPC), and are subject to political interference in lending decisions.^{xxiv} The more efficient private banks have little incentive to reduce their spreads because of a lack of competition.^{xxv}

Microfinance: Sri Lanka's *microfinance* sector consists of over 10,000 thrift institutions^{xxvi}, often subsidized through donor or government funds^{xxvii}, as a tool to alleviate poverty. This partially derives from a long-standing tradition of both the government and some development partners perception that microfinance is a form of social transfer, rather than a financial service, and the idea that high interest rates (and profitability) are often not a priority. Whereas substantive amounts have been committed for microfinance^{xxviii}, subsidized funds could reduce the incentive to commercialize, while regular loan write-offs granted by successive governments weaken the payment culture of existing customers of those institutions, that seek to become more commercialized. The relative weakness of the sector does not pose a systemic threat to the financial system, but, if poorly managed, can reduce the scope of one important tool to fight poverty - namely: sustainable microfinance.

2.1.3.c. Labour markets and regulation: Sri Lanka is well advanced as regards to core international labour standards to protect workers in the formal sector as well as on mechanisms to promote good industrial relations, including dispute resolution. The main challenge ahead appears to be shifting the system's focus from "job protection" to one that ensures "workers protection" and promotes a 'decent work' approach (see Box 3). More flexible labour regulations, including reform of "job protection"^{xxix}, could contribute to productivity gains and job creation for informal sector workers who represent the majority of employment. However, such reforms require an active social dialogue with all stakeholders, including trade unions. At the same time, there is a need for the government to refrain from interfering in the labour market, such as with *ad hoc* wage increases which could seriously undermine incentives for investment and job creation.

Box 4

Decent work

The goal of decent work is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

Decent work includes rights to employment, rights at work (work in conditions of freedom), social protection and social dialogue. The focus of these four dimensions is not just the creation of jobs, but the creation of jobs of acceptable quality, while expanding the formal sector of the economy. The key element of these dimensions is the opportunity for work, meaning that all persons who want to work should be able to find work.

Labour reforms combined with efforts to improve the quality and relevance of education would go a long way to increasing labour productivity and enhance prospects for job creation and decent work opportunities^{xxx}. In this regard, the Government's initiative to provide "English for all," and upgrade IT teaching in school education and vocational training, including partnerships with the private sector, is an encouraging step forward. Support for initiatives to promote youth employment, such as the national plan for youth and youth employment network (YEN), will also be important. A striking feature of unemployment in Sri Lanka is that it is particularly a problem of youth unemployment. According to the 2004 Labour Survey, the rate of unemployment in the 15-29 age group was approximately 44 %.

Foreign employment has proved to be an important means of employment generation. Around 30% of total employment arises from employment overseas. The Sri Lanka Bureau of Foreign Employment (SLBFE) estimates that approximately 1.5 million Sri Lankans are currently employed abroad and worker remittances from migrant workers are a prime source of foreign exchange earning (10% of GDP). In 2005 inward private remittances stood at Rs. 191,800 million. Private remittances come in as: - Transfers through the banking system. (around ¼ of total national savings), & inflows through informal channels, Transfers from the Middle East currently constitute over 50% of the remittance flow, but the Middle East accounts for over 80%

of the migrant flow. Although countries *outside* the Middle East account for around 20% of the migrant flow, their contribution to remittances is more than double this figure. (SLBFE : ASR, 2005). Interestingly, the relative share of remittances from the Middle East has been on the decline since 2000 due to a rise in employment in the West where a higher remuneration is paid. Part of the remittances reach the economy as periodic transfers by migrants to their households and the balance flows in as end-of-contract remittances. Periodic remittances channeled for the upkeep of families at home are more likely to go into consumption than capital formation. A good part of lump sum remittances too goes into redemption of loans, land purchase, house construction, dowry for children, furniture purchase etc. (Athukorale, 1984, Balasuriya, 1984, Ariyawansa, 1989 etc.). Obviously, when channeled into investment, remittances would generate employment opportunities in the domestic market as well as accelerate economic growth. Efforts need to be made to maximize the impact of this form of employment, while some key additional measures, such as reducing transaction costs of migrant remittances, enhancing the trustworthiness and efficiency of formal systems and simplifying formalities as well as exploring opportunities for skilled employment, need to be pursued actively (at present 70% are unskilled or low skilled workers). To reach full employment by 2010, the economy will need to generate 1.3 million jobs (i.e. 265,000 jobs annually) to absorb the unemployed backlog and the annual additions to the labour force. More importantly, there is the need for the Government to address the problem of human rights violations and exploitation faced by the workers (especially women domestic workers who account for up to third of all migrant workers) both prior to departure and in receiving countries. Exploitation by recruiting agents/sub-agents, lack of information both here and in the host country, poor working conditions, physical abuse sometimes resulting in death, absence of mechanisms for grievance redress, are some of the problems faced by these migrant domestic workers. The Government has made efforts to address some of these problems in the last decade. However, much more needs to be done to protect these workers, such as strengthening the capacity of the SLBFE on enforcement and monitoring and pursuing the development of bilateral agreements with host countries.

Box 5

Gender and the Labour Market^{xxxii}

Women in Sri Lanka have always been involved in economic activities, but their labour force participation has fluctuated in relation to national policy changes and shifts in international trends. In post-Independence Sri Lanka, laissez-faire policies and Structural Adjustment Programmes from 1977 onwards saw women move out of small-scale/cottage industries and enter the export, migrant and hospitality sectors. Female labour makes a significant contribution to national production and income through their presence in plantation agriculture, migrant domestic labour and the export-oriented garment industry. Women also tend to be located in home-based economic activities and as sub-contracted workers with little or no protection by legislation. For the past few decades, the female unemployment rate has been double that of males and women and are being concentrated in the casual, low skill and low-paid jobs in the formal and informal sectors. Most women are in occupations with low incomes and limited opportunities for upward mobility. The small number of women in professional and administrative occupations confront the 'glass ceiling' that restricts career advancement and entry into the higher employment levels.

Labour legislation, some dating back to the 19th century, has been amended and revised in the past few decades. The Maternity Benefits Ordinance now provides 3 months paid maternity leave and in the Public Sector women are granted no-pay maternity leave for a further one year. The Factories Ordinance and Shop and Employees Act amendments allow night work for women but the provision of welfare facilities by employers is not adequately monitored to ensure compliance. The Wages Board Ordinance and other administrative policies relating to wages and working conditions were amended to provide for equal wages to be paid in formal sector, legally regulated employment. Yet, female plantation workers work longer hours than male workers for the same daily wage. The informal sector, in which women predominate, is not covered by the Wages Board Ordinance, resulting in considerable disparities in wages for women and men and leaving workers vulnerable to irregular and exploitative working conditions and poor wages.

While Article 12 (2) of the Constitution of Sri Lanka contains the principles of equality which applies to all citizens, this does not apply to employment in the private sector. Sri Lanka ratified the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1981. Although the Sri Lanka Women's Charter, adopted in 1993 as State policy, incorporates CEDAW's principles ensuring equality in access to employment, that has not yet become national policy through the necessary legislative enactments. The Ministry of Child Development & Women's Empowerment is currently attempting to legalize women's rights in relation to the Women's Charter and other international standards, through the National Commission on Women Bill. Once enacted, the Commission will have powers to deal with women in the labour force in both the public and private sectors.

2.1.4 Trade and Investment

Greater openness to foreign trade through the process of removing restrictions on exports, reducing import tariffs and replacing import quotas by moderate tariffs is a powerful factor of economic growth. Also under the right conditions foreign trade could generate a powerful impetus for accelerated progress towards MDG's.

Since 1977, Sri Lanka has adopted open trade policies which account for rapid growth labour intensive manufacturing exports and related services. However, restrictions have remained on agricultural imports. Some view this as having adverse effects on productivity gains and investments in the sector. Others consider this vital for the protection of the livelihoods of the poor in rural areas.

It is also perceived that the trade regime in Sri Lanka remains complex due to increased tariff dispersion and the introduction of numerous import cesses (over 600 items). In order to move forward using trade as an engine of growth and a catalyst for achieving MDGs, it will be important to review trade policies to maintain a balanced and proactive stance towards growth and human development.

Sri Lanka's largest export earning item is readymade garments (RMG). While the country has been able to retain market share in garments, following the abolition of MFA, further export growth will depend on its ability to address supply side constraints, as discussed in earlier sections. In particular, the country needs to focus on diversifying its base into higher value added exports in order to raise both employment and labour productivity. In this connection, Sri Lanka could consider utilizing opportunities under the EU Generalised System of Performances (GSP) plus, through negotiating better terms of market access. In addition, from a long term perspective focus could be placed on Sri Lanka's tea industry as well as skilled labour services for enhanced export earnings and productivity.

Sri Lanka has been a beneficiary of existing regional FTAs with India and Pakistan. Its participation in SAFTA and BIMSTEC is expected to have significant impact on its economy in the coming years. In these engagements and the proposed FTA with the US, Sri Lanka's policies may be directed at: enhancing its market access; ensuring competitiveness; and promoting trade creation rather than trade diversion. In light of the above, it may be worthwhile for the Sri Lankan Government to consider undertaking a comprehensive review of trade and investment policies to ascertain the appropriate policy choices that could lead to unprecedented gains of trade, growth and an accelerated achievement of the MDGs.

2.1.5. Rural development

The rural characteristic of poverty in Sri Lanka is well evidenced with the largest proportion of the poor concentrated in rural areas, including the estate sector. In particular, the poverty incidence is highest in the agricultural sector, at 40 percent^{xxxii}. Broadly, a key causal factor of rural poverty may be attributed to low levels of agricultural productivity and off farm employment, alongside limited access to infrastructure and basic services. While rural poverty trends in Sri Lanka indicate a modest overall decline from 1990-2002, the income distribution shows an increasing inequality in the rural areas^{xxxiii}. As such, the level of poverty and its correlation with employment in the agricultural sector may be considered as a primary determinant of poverty. Furthermore, adverse climactic and environmental conditions serve as constraints to agricultural productivity^{xxxiv}. Given the levels of rural poverty (including in the estate population), the attainment of the MDG 1 to eradicate extreme poverty and hunger, presents a challenge given that the respective targets are currently off track.

The *low agricultural productivity* in the country may be associated with a number of broad underlying factors including a low level of technology adoption and modern management practises; lack of diversification to in higher value marketable agricultural products; the existence of policies which have not been conducive to agricultural growth and investment; and infrastructure limitations which inhibit access to rural areas and market linkages. As such, the agricultural share of the GDP shows a continuous decline of approximately 32% since 1980 to just above 17 % in 2005.^{xxxv} Other factors which should be noted are sustainable environment and water resources management, the challenges of rural energy and the role agriculture extension services. Some of the points are analysed below:

A priority area for enhancing rural development relates to the *enabling policy environment* for economic activity and sustainable livelihoods. In particular, it appears that some policies may not have been conducive to enhance agricultural productivity and particularly, tariff policies for paddy production. The continued emphasis on price controls for selected commodities (food crops) and inputs (fertilizer) also serves as a disincentive for diversification into higher value agricultural products. Land tenure policies are also constrained with respect to ownership and security, creating a situation wherein there is a lack of incentives to investment in land. The Government plan to grant freehold land rights and to address protection issues pertaining to landlessness are important reform measures to be taken up, including the rights of men, women and children.

Ensuring a *sustainable environment and effective water resource management* and maintenance remains another important dimension to be addressed for increased agricultural outputs, including in ecologically fragile areas such as the drought prone and the coastal areas. Two major factors threatening the long term sustainability of water resources in Sri Lanka are insufficient pricing and deficiencies in regulation^{xxxvi}. It would be worthwhile to explore options for the development of a water development sector programme^{xxxvii}. Furthermore, the use of inappropriate agronomic practices (i.e. excessive use of inorganic fertilizers and frequent cultivation of land) are attributed as a major reason for environmental degradation in addition to the soil productivity deterioration by extreme weather phenomena. *Rural energy* remains another key poverty challenge to be addressed given that the current electrical coverage is approximately 45% for rural areas against a 65 % coverage at national levels^{xxxviii}. As such, limitations exist with respect to the regulatory environment and diversification into other forms of energy than the current reliance on fossil fuels. The recent Sri Lanka Rural Electrification Policy (SLREP) is a positive measure given its aim for greater access to electricity by all Sri Lankans, including the rural communities^{xxxix}.

Important also will be to give due consideration to renewable energy through the adoption of the appropriate policy frameworks.

Agricultural extension services present another priority need with respect to its role for increased availability and diversified viable income opportunities in the rural sector. Given the existing situation, a number of factors serve to constrain the effectiveness of extension services: these are related to the fragmentation of services (inputs and outputs); a lack of coordination amongst the concerned sectoral agencies and tiers of government; and ad hoc approaches to research and development. Furthermore, constraints may be linked to the low coverage and farmer accessibility to services; lack of a market demand driven approach and adoption of technology; and limited gender sensitive interventions. The reliance on the state delivery of agricultural extension services remains another challenge to be taken up in the context of broadening the involvement of the private sector as service providers. The Government's commitment to enhance agricultural extension services through increased investments in research and technology and broadening access to extension services by rural producers is a welcome initiative.

Finally, the persistence of higher rates of poverty in rural areas and the correlation with unemployment and under employment reflects the need for the expansion of viable *livelihood options* for poor people, particularly for youth and the landless^{xi}. The current trends with respect to off farm employment options, indicate that the investment levels are low and the available opportunities are constrained, including for micro, small and medium enterprise development. The main reasons for this situation may be associated with the limited business environment in the rural areas including weak infrastructure with respect to roads, telecommunication and electricity and an inefficient regulatory system. Additionally, there are few financial incentives for investors in rural areas alongside weak market networks between sub contractors and buyers; and insufficient business development services, such as provision of training and information. A relatively weak regulatory environment serves as another growth inhibitor given that approximately 70% of MSMEs are not formally registered and thereby constrains market access and growth potential^{xii}.

Part II

2.2 Human development challenges in meeting MDG's and MDG +

Sri Lanka's has made impressive gains in human development (the 2005 Human development Index is 0.751, compared with 0.607 in 1975)^{xiii}. "However, significant challenges remain in reducing income poverty, malnutrition, protecting the environment and eliminating gender gaps, while enhancing the quality of social services". From a human development perspective, poverty must be addressed in all its dimensions, including both income and non income. In Sri Lanka, the key social and economic indicators reveal some startling trends with respect to growing regional disparities. National figures of MDG's do not reflect the inequalities that exist particularly in the different geographical areas of the country. Hence, localising of MDG's through the budgets and programmes of the local authorities would ensure a better coverage to the overall MDG campaign. While the country is off track with regard to child malnutrition, the disaggregated regional and district level data reveal higher level malnutrition rates in the North East and the Estate population. Similarly, despite impressive gains in the education sector at the national level, there are serious concerns with quality and allocation of resources at the sub national level. In the health sector, both quality of health service and expenditure use is uneven across regions.

Likewise, in social protection, eligibility, exclusion, adequacy of benefits and equity across the entire country remains a major challenge. This section reviews several critical development issues regarding the achievement of some critical MDG, including gender, environment, water and sanitation and HIV/AIDS.

2.2.1 Children as the core of development concern

Sri Lanka is firm in its commitment to meet the obligations of the Convention on the Rights of the Child. Sri Lanka was among the first countries in the world to complete a National Plan of Action to fulfill its commitments made for children.. The NPA includes a government commitment of US \$14.2 million to start-up the plan.

The responsibility for the implementation of the NPA lies with relevant Ministries at National and Provincial levels as well as other stakeholders. The provincial Ministries and Departments are required to formulate their own plans of actions commensurate with the NPA and allocate funds for implementation to reach the goals set thereof. A monitoring committee chaired by the Ministry of Child Development and Women's Empowerment has initiated a stock taking of the progress of objectives set out in the NPA.

2.2.1.a. Malnutrition: an unresolved problem. Malnutrition is both a symptom and a cause of poverty and is therefore a key factor in the poverty vicious circle. It is the single most striking risk faced by the children of Sri Lanka. Undernourished children irreversibly develop less cognitive skills and have less physical resilience throughout their life. This has serious consequences for both human resource capital and health sector costs.

Between 1993 and 2000, the proportion of children under five that are underweight^{xliii} fell from 38 % to 29.4%, the proportion of children that are stunted^{xliv} reduced from 24% to 13.5% and wasting^{xlv} dropped from 16% to 14%^{xlvi}. However, recent studies carried out in selected deprived districts reveal a more daunting picture. Over 40% children in some central districts are underweight, over 25% are stunted and over 23% wasted.^{xlvii} Data available for the districts in the North East show comparable albeit slightly better results. Malnutrition levels are higher in the estate sector followed by the rural and the urban sector.^{xlviii} Micronutrient deficiencies are prevalent with nearly 30% of pregnant women and 58% of infants between 6 and 11 months being anaemic, which affects the cognitive and physical development of children.^{xlix}

The key causal factors of malnutrition in Sri Lanka are multi-sectoral - embracing food, health and caring practices. An in-depth multivariate analysis of existing data sets conducted in May 2006¹ noted that low birth weight was the most significant predictor of underweight, stunting and wasting of children in Sri Lanka. This suggests the critical role that maternal nutrition plays in influencing child under-nutrition. The total number of children in the family was also a significant predictor of under nutrition as children from larger families were more likely to be undernourished than children of smaller families. The availability of water seal latrines and hygiene practices adopted by the family, including hand washing of the mother with soap after going to the toilet, was also identified as being associated with underweight and stunting. The frequency and quality of antenatal care received by mothers and breastfeeding was also a significant predictor of under nutrition. The socio-economic status of the family was also a significant predictor of under nutrition, as measured by factors such as availability of electricity; television; access to a vehicle; and house type.

Most large-scale current initiatives aim at addressing malnutrition through food distribution, i.e. short-term interventions. The “National Plan of Action for Children 2004-2008” identifies key

packages of interventions including nutrition education, supplementary feeding programmes, anaemia reduction, exclusive breastfeeding, complementary feeding guidance and medical inspections in schools. However in areas where many of these activities are already ongoing, they have had little impact so far. Given the complex causes leading to malnutrition, there is need for a coordinated cross-sector initiative that mitigates the situation in the short-term, addresses the structural causes in the medium and long-term and accounts for regional differences. It is crucial that any national nutrition policy addresses symptoms beyond the channels provided by the health sector, and also involves other sectors (e.g. education, agriculture and social protection).

Box 6

The Estate Sector:

There is marked vulnerability in the case of the Indian Tamil community who live predominately in the Estate sector in the central districts of Sri Lanka. According to the Census 2001, the Indian Tamils reside largely in N'eliya – 51.3 %, Badulla – 18.2 %, Ratnapura – 7.8 %, and Kandy 8.4 %. The community numbers close to 1 million and constitute 5% of the population of the country. Their primary occupation is labour on the tea and rubber plantations.

In 2003 over 40% children in some central district were under weight, over 25% stunted, over 23% wasted. ¹ Poverty grew over 40% in the central districts between 1990-2002 (page 12). The DHS 2000 reports that only 28% of estate households have access to piped drinking water; and only 27.7% have access to proper sanitation facilities. ¹ This suggests that these areas will require a substantive and sustained investment to achieve MDG targets. .

The plantations (both foreign owned and local) were nationalized in 1975, but were returned first to private sector management and later to private ownership under long leases. (144,000 hectares of tea land were nationalized under the Land Reform Law in 1975).

2.2.2 Gender Equality and Women's Empowerment

The MDG Country Target (Target 4)^{li} is to eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education not later than 2015. The country is well on track to achieving these goals and is above target in the ratio of girls to boys in Secondary Education at 104.2 percent. The ratio of literate women to men (15-24 years old) at 101 is also noteworthy. However, on the basis of MDG *plus* for Gender Equality and Women's Empowerment there is matter for serious concern.

Gender equality and women's empowerment in Sri Lanka is challenged by some significant issues. Key concerns that need immediate attention are;

(For section dealing with migrant women and women in the labour sector, see Chapter II)

2.2.2.a. Low female political participation. Although Sri Lankan women have enjoyed universal franchise since 1931, the number of women elected to local bodies is the lowest in the South Asian region. India and Pakistan have a 33% quota for women at local government level, Bangladesh has a 15% quota for women in parliament and a 13% reserved seats at local level, Nepal has 5% reserved seats in the lower house and three seats in the upper house.^{lii}

Currently, in Sri Lanka thirteen members of parliament are women, of 225. The percentage of women in parliament has never exceeded 5%. At the 2006 Provincial Council elections, of 2281 women that contested, only 52 were elected.^{liii} A 30% quota for women, of the candidates nominated by a party at local level has been discussed. However these are yet to be accepted. The

violence that mars elections and the heavy expenditure on election campaigning are reported to be some of the causes for women not contesting for public office, while party politics which favour men over women in candidate lists and negative societal perceptions which prevent women from entering politics are other reasons.^{liv}

The Mahinda Chintana presented by the President after the 2005 Presidential Election, proposes to increase the number of nominations of women to a minimum of 25% of the total number of candidates in respect of Provincial Councils and Local Government authorities. A quota for women in the proposed Jana Sabha (People's Councils) should also be taken into consideration.

2.2.2.b. Low percentage of professional women at decision making levels. Women consist of 49% in the professional and technical category, but constitute only 4% of administrators and managers. Innovative measures need to be introduced to remove the 'glass ceiling' and ensure opportunities for the promotion and advancement of women in the workplace.^{lv} The lack of support structures and state policies such as flexible working hours, crèches and part-time work prevent women from combining their dual responsibilities of family and employment.

2.2.2.c. Gender based violence. Gender based violence continues to obstruct women in development and in decision making at all levels. Research has shown a high rate of violence against women, especially in the home. Women In Need (WIN) reports that between January and July 2006, over 23,188 incidents of violence were reported from their centres island wide.

Amendments to the criminal law were brought in 1995 to expand on crimes such as rape.^{lvi} New offences such as sexual harassment and incest were also brought into the law. The criminal law now also recognizes the limited offence of rape within marriage. A salutary feature of the 1995 amendment was the introduction of minimum sentencing in rape and the payment of compensation to the victim by the convicted person in offences such as rape and sexual harassment.

A law on the prevention of domestic violence was enacted in August 2005 after a long struggle by women's groups.^{lvii} The new law mainly provides for the issuing of protection orders by the court in situations where violence has occurred in the home or where there is an apprehension of violence. Lawyers using the law to obtain protection orders have been facing numerous practical problems in court and they need to be examined and addressed if the law is to be implemented in a meaningful manner.^{lviii} The National Committee on Women (NCW) has formulated a National Plan of Action under the Act to strategize on measures to be taken in implementing the law effectively. Women's groups and activists are participating in assisting the NCW draw up a strategy. The NCW lacks capacity and requires assistance in this process.

2.2.2.d Discrimination of Women under the Personal Laws

The existence of parallel systems of law, especially with respect to women and children under the different personal laws governing marriage, inheritance and property rights tend to discriminate against groups of women. While some of the personal laws contain positive features relating to women, others discriminate against them. For example, Kandyan law recognizes the concept of mutual consent in the case of divorce, whereas the general law does not.^{lix} Women governed by the Tesawalamai law are subject to restrictions in the manner in which they deal with their immoveable property, whereas women under the general law have complete freedom to deal with their property.^{lx} Under the Muslim law, the woman is not required to give her consent to her marriage. Her guardian or *wali* may give consent on her behalf. Similarly, a Muslim girl child can be married on attaining puberty.^{lxi} These are discriminatory provisions in the personal laws

which require amendment. However, the amendment of the personal laws is a contentious issue and one which is handled delicately by parties in power. The concept of a uniform civil code was mooted some years back to incorporate the many positive features of the personal laws. However, due to the sensitivities involved, it was not pursued.

2.2.2.e. Law Reform

Although the government has brought about several amendments to the penal law, the response has been ad hoc and piecemeal in other areas. Several laws require amendment to conform to CEDAW and other international treaties that Sri Lanka has ratified. Archaic land laws such as the Land Development Ordinance gives preference to male heirs over female heirs in relation to inheritance of land and has been the subject for research for many years.^{lxii} Yet, change has been slow and no concrete attempt has been made by the state to amend it, although there have been repeated efforts both by the state and civil society. The Women's Rights Bill which seeks to establish a Women's Commission has been in the pipeline for over three years and is yet to reach parliament. The Bill also contains the Women's Charter (1993), which currently only acts as a guideline to the state on issues concerning women. Similarly, Muslim women's activists have been calling for amendments to the Muslim Marriage and Divorce Act to accord more rights to women marrying under the law. Other areas of the law also need attention such as the Sri Lanka Bureau of Foreign Employment Act which needs overhauling to take into account the many facets of female migration and its complexities.

2.2.2.f. Gender sensitivity in the Justice System

The judiciary, legal profession, law enforcement officials and other actors involved in the justice system need to be more gender sensitive. This factor could give rise to inequitable judgments, perceptions of unfair court processes and even mishandling of cases by law enforcement officials. Although the judiciary participates in ongoing training, this should be strengthened the legal profession generally is not exposed to any gender sensitization after entering the Bar. Police officers are subjected to periodic training programmes. However, more needs to be done.

2.2.2.g. Lack of Gender Disaggregated Data

There is little gender disaggregated data collection both at national and sub national levels and the attempt taken to collect data on issues such as reproductive health, violence against women and female migrant workers has been sporadic.. This factor impedes research and issue prioritization efforts at all levels and needs to be addressed.

2.2.2.h. Women and Conflict

The civil conflict in Sri Lanka has resulted in several thousands being displaced and an increase in the numbers of female headed households. Women suffer most in times of conflict and they are more susceptible to violence and infringements of their rights. However, women are not sufficiently involved in peace making and in the negotiation processes. A Gender Sub Committee was set up consisting of the LTTE and women nominated by government to assist in issues connected to the peace process such as employment and livelihood, infrastructure and services and peace and security.^{lxiii} Although the Committee met twice, it never reached its full potential due to the breakdown of the peace process. Although there have been ad hoc engagement of women in peace building efforts both by the state and non state sector, it has not been sustained and consistent. Women need to be mobilized so that they can lend their voices to the process of peace making, peace building and negotiations. The need for programmes which

focus on leadership skills, conflict resolution, capacity building, lobbying and advocacy must be addressed.

2.2.2.i. Women in Post Tsunami Period

The tsunami of December 2004 impacted heavily on women. The numbers of women that were killed exceeded that of men. It also left more women displaced and increased the numbers of women headed households. Proper gender disaster management strategies need to be put in place that address short term, medium and long term needs of women in post disaster situations.

A year and a half later, many families still languish in transitional shelters. The Reconstruction and Development Agency (RADA) has committed that all displaced will be in their own homes by the end of December 2006. The RADA Tsunami Housing Policy of May 2006 does address women's concerns but there are several gaps which have been identified. For example, women's loss of dowry property upon state allocation of land in post tsunami period, the issues of joint ownership of state land in situations where title to former property is unclear, consultations with affected families are issues that have not been covered. Guidelines have been drafted by an INGO in consultation with civil society groups which seek to address these gaps in the policy.^{lxiv}

2.2.2.j. State obligations under CEDAW. Sri Lanka has ratified all the core international conventions, including CEDAW and the UN Convention on Migrant Workers. Under CEDAW, the state is under an obligation to eliminate all forms of discrimination against women. However several laws and policies continue to discriminate against women. Conscious efforts need to be made to mainstream gender in key sectors, especially in the education, health and agricultural sectors. There is as yet little gender sensitive policy analysis, no systematic analysis of the national budget from a gender perspective, and no mechanism in the ministries to mainstream gender in sectoral policies and programmes.

Sri Lanka was due to submit its 6th report to the CEDAW Committee in 2002 and the 7th report in 2006. However, it appears that Sri Lanka will submit a combined report in late 2006 due to the delay in submission. The reporting procedures need to be streamlined and a consultative, participatory process needs to be carried out in the writing of the report. Sri Lanka is due to submit its first report under the Migrant Workers Convention in 2006. It is currently under preparation. An alternate report is also in the process of being written for submission in 2006.

2.2.2.k Capacity of The Ministry of Child Development and Women's Empowerment

The Ministry of Women's Empowerment is entrusted with furthering the rights of women. It is also the only institution which has the most reach and credibility in terms of reaching women at all levels. Although the non state sector works closely with the Ministry and the National Committee on Women, the Ministry, needs to engage much more proactively in legal reform and programmes aimed at empowering women. A rights based, holistic approach is perhaps required in the manner in which it carries out its mandate. The Ministry needs gender management techniques to manage its programmes more effectively.

2.2.3. Achieve universal primary education: quality and equity concerns

Sri Lanka has an excellent primary school enrolment rate of over 98 per cent on average. School completion rates of the education year 2003/2004 are 98 per cent for the primary and 84 per cent for the secondary school level.^{lxv} However, it appears that 18 per cent of children fail to complete grade 9 schooling. Most of them belong to "vulnerable groups", i.e. are disabled, come from

conflict affected areas or the estate sector.^{lxvi} Overall, most disadvantaged appear to be students of the poorest communities that are found to face the highest teacher shortages and the least resourced school facilities. They are more likely to drop out of school being affected by costs of education materials and often cannot pay for the widespread after-school tuition classes that constitute a parallel learning and teaching system across the country.^{lxvii}

There are no significant gender discrepancies recorded regarding school enrolment in Sri Lanka. There is little need for additional schools, albeit physical upgrading of school facilities is required especially in rural areas. However, the tsunami (2004) has destroyed a considerable amount of education infrastructure. Throughout the island, a total of 195 educational facilities including universities and vocational training centres were damaged including 59 totally destroyed and 117 partially damaged schools. An additional 650 schools were indirectly affected as they were used for temporary shelters for displaced populations.

A major concern of the education sector in Sri Lanka is the *quality* of education, which reflects the underlying deficiencies of the sector. A national assessment of grade 4 learning achievements by province shows that as little as 23 per cent of students achieve mastery level of their first language in the North East, 34 per cent in Uva and Central Provinces, the highest figure being recorded in the Western Province with 51 per cent. Only 5 per cent of students in the North East achieve mastery levels in English, 8 per cent in the Central, North Central and Uva Provinces, whilst 20 per cent do so in the Western Province. It should also be noted that less than 1% of schools teach in both national languages and only 4% of schools also teach in English.^{lxviii}

There is a shortage of qualified teachers, particularly for English, and a general teacher shortage in the North and East. Recruitment has suffered from politicization of the educational administration. Sporadic revisions of the curriculum in the past have not been communicated systematically to the teachers. Trainings are scheduled by district training advisors, however, there is an unequal distribution of trainers with Colombo district recording 240 advisors, Moneragala 177 with a considerably smaller population, and the North East being seriously understaffed (e.g. Jaffna 4, Vavuniya 2, Batticaloa 1). With the recruitment of a large number of untrained graduates as teachers (about 18,000), the need for increased in-service training is high. The Ministry of Education is preparing a plan to train these untrained graduates systematically. There is further need to increase the number of pre-service teacher trainers, particularly for specific subjects including English language.

The recently launched Education Sector Development Framework and Programme (ESDFP) addresses key issues of capacity building and resource allocation. The administrative management of the education sector that is shared between the central, provincial, district and zonal levels (the zones not matching the administrative boundaries of the districts), has created a situation where accountabilities for key actions are unclear. The negative implications arising from this administrative structure, attributed to a devolution process that has yet to receive required strengthening to become more efficient and effective, is a serious impediment to achieving good quality education. Budgets in the past have been prepared according to historical trends rather than on actual needs due to procedural shortcomings and budget constraints^{lxix}. An estimate of recurrent expenditures 2001/2002 per student of provincial schools reveals an average of Rs. 6,437 being spent per student, yet, the Central province student receives Rs. 10,940, but the student in the North East only Rs. 4,412.^{lxx} Under the ESDFP there are measures being implemented to improve the efficiency and equity of resource allocation in the education system starting from 2006, including the development of a medium-term budget framework and a public expenditure tracking system.^{lxxi} Investment in education proves to be essential for improving all other human development indicators. There is evidence that poverty household rates fall in

parallel with the educational qualifications of household heads, together with better nutrition and survival rates of children. Unfortunately, due to tight budget constraints, the education capital budget has declined from 5 per cent of government capital spending in 1999 to 2.5 per cent in 2002.^{lxxii}

In order to improve the quality of education, consideration must not only be made to the learning competencies, but attention should also be focused on the child and their immediate environment the family and the community. Child friendly teaching and learning environment that promote the active participation of children and interactive methodologies are required. It is also essential that the education curriculum remains relevant to the circumstances of the Sri Lankan children. Introduction of Life Skills Based Education can support such an approach.

An additional key policy challenge is the promotion of social cohesion discussing concepts such as democratic governance, respect for diversity and social inclusion, through the school curriculum. Equally important in terms of investing into the future is to orient the education system to the world of work. This would require ensuring more investment into further developing the vocational training sector, expanding access to English education and significantly expanding access to IT, all for which there is a high demand greatly exceeding levels of access on offer.

2.2.4. Protective environment for children

The protection of **children** is another concern, particularly orphaned children living in institutions and some key issues that impede the total elimination of child labour at present, . The main reason for their institutionalization of children appears to be poverty,^{lxxiii} as only 8 % of children of the reported 15,068 children living in institutions have lost both parents. However, with a few exceptions, most of the homes fail to cover even basic needs of children, let alone addressing their emotional needs. In the North East, 38% of homes do not have beds. While a regulatory framework is in place, the resource allocation for monitoring the facilities through the Department of Probation and Childcare is inadequate. It is estimated that there are approximately 70,000 children (5-14 years) who are in a high-risk category for exploitation as child labourers^{lxxiv}. This figure excludes approximately 42,000 children (5-14 years) categorised as unpaid family workers and the 19,000 (approx) child domestic workers (5-17 years) of whom 70% are girls. Child vulnerability, of poverty together with a lack of vocationally-relevant educational opportunities (leading to remunerative employment) needs to be addressed on an integrated basis. Sector-specific national estimates on child labour, are urgently needed to underpin policy decisions in relation to child labour and child protection issues.

2.2.4.a. *Children in contact with the law* are often re-victimised. This takes the form of ill treatment, at times extending to torture of child offenders, delays, separation from families, incarceration, disruption of education and lack of attention to their therapeutic needs. Trainings carried out so far have addressed the **attitudes and skills** of individual service providers but failed to develop **standards and procedures** which would enable a uniform protective environment to all children in contact with the law. Legal reforms have generally been **top down** and they have not taken into account the views and experiences of children and service providers. A key issue is that the age of criminal responsibility is 8 years. The courts have discretion to extend to this to 12 years depending on the subjective assessment of the level of maturity.

2.2.4.b. *Underage Recruitment: prevention, release and reintegration* Children in the North-East face a further violation of their rights, that of underage recruitment. The cumulative statistics (Ch 2) demonstrate that while important progress has been made, commitments made by

the LTTE have not been met. The underage recruit release programme was supported by a multi-sectoral re-integration component that address issues of social work, education, health, vocational training and income-generation activities for vulnerable families. There is a perceived need to build the social capital and security for families and communities to have a proactive prevention movement.

2.2.5. Health : need to go beyond the global MDG targets

Sri Lanka scores high on population and health indicators with a life expectancy at birth of 73 years, infant mortality rate of 12 per 1,000 and maternal mortality ratio of 42 per 100,000. Great strides have been made in bringing down the, infant and under five mortality rates; and sustaining a rate of decline of more than 4% per year over the last 50 years. The country has achieved the targets of Universal Child Immunization with immunization coverage of five year old children over 95%. The achievement of outcome of the country's health system can be largely attributed to the extensive network of public and private health institutions with most of the population (except in a few districts including North and East) living within five kilometers of a health facility.

Despite the successes in the health sector, there are several challenges that have to be addressed. Even though the country reports national aggregates which are very impressive on several vital health indicators, there is evidence of significant geographical variation within the country. Further although access to health care is not a major issue in many parts of the country, quality of services is a concern both in the curative care system as well as in the public health domain. There is evidence that the health services in conflict affected areas, plantations and several districts from Southern, Uva and North Western provinces are less developed when compared to the richer districts. The causes of these variations are many, some being within the health sector such as non-availability of adequate health infrastructure, Health Care Workers, etc., while others being outside the health sector such as disparities in educational status and shortages of food etc. Poverty remains to be an underpinning cause for the impaired development of many sectors including the health sector across the country. Development of health services with a comprehensive package of pro-poor interventions will facilitate the access of people especially the poor, to good quality health care.

Current demographic and epidemiological transitions have brought changes in health priorities causing challenges for the health system. The country bears a double burden of communicable and non-communicable diseases (NCD). Although the incidences of vaccine-preventable and few vector-borne diseases have been reduced, several other communicable diseases i.e., malaria, tuberculosis, dengue, diarrhoeal diseases and acute respiratory infections are still important causes of morbidity and mortality. Tuberculosis has a high incidence in and around Colombo while Malaria is still prevalent in a few districts of North Central and Eastern provinces. Though it is a low prevalence country for HIV/AIDS, there is recent evidence that the prevalence is on the rise. Concurrently NCDs i.e., cardio and cerebro-vascular diseases, cancers, diabetes, tobacco, alcohol and substance abuse and mental health disorders have increased as the long term problems. Injuries and traffic accidents are the major cause of hospital admissions as at today. The need for intensifying communicable and non communicable disease surveillance activities using the rapidly advancing IT knowledge along with health promotion to strengthen primary and secondary and tertiary prevention of these diseases remains a challenge.

Sri Lanka has achieved almost replacement level of fertility. However the prevalence of modern contraceptive methods is significantly low at 49% despite an overall CPR of 70 per cent. In

addition, condom use remains at only 3%. Anecdotal evidence reveals that the incidence of abortion is high in the country, indicating that the unmet need for reproductive health services is significantly high. The health and well being of adolescents and young people need to be promoted through access to accurate information related to sexual and reproductive health including HIV/AIDS as well as ensuring the availability of youth friendly health services

Despite the achievements in reduced infant and child mortality levels, neonatal deaths account for over 75% of the infant deaths, and Sri Lanka continues to have unusually high rates of child malnutrition. The situation reflects the need to reorient the existing maternal, adolescent and child health services to meet the changing health needs using a life cycle approach. Furthermore, gender is another important dimension to be considered in terms of access to health care, decision making within the family and gender based violence.

The issue of ageing too is of special significance for future with 10 per cent of the population being over 60 years today and estimated to go up to 22 % by the year 2030. In addition the older population is itself ageing. The 80 years and over is the fastest growing segment of the older population. The majority of older persons are women, among them a high percentage are widows. In view of the increasing importance of the elderly the following needs are manifest; mainstreaming ageing into development policies and plans; an enabling/supportive environment which would cushion the effects of the breakdown of traditional family structures and the need to provide alternatives (for those who may need them - generally the poor); and build capacities within the national health care system to provide specialized health care.(refer Section Health – going beyond the MDG’s).

Throughout the 1990s, total health expenditures in Sri Lanka were 3.1% to 3.5% of GDP with Government and private sectors taking almost equal shares. The National Health Accounts published by the Health Ministry (2002) show that most of the private financing is from household out-of-pocket spending. Employer spending, commercial insurance and NGO activities account for only a minor share of overall health expenditure. The increasing out-of-pocket portion of health care expenditure shows that more and more families are undergoing catastrophic health expenditure which would push them further into poverty. The need to introduce alternative financial mechanisms such as social health insurance while increasing the government health budget remains a priority.

Compared to many developing countries Sri Lanka is blessed with a substantial workforce of Health Care Workers. Sri Lanka produces over 2,000 health care providers every year. However, there are shortages of nurses, paramedical and auxiliary health personnel such as pharmacists, medical laboratory technologists and radiographers etc. Deployment and utilization of human resources in the health sector has yet to achieve its optimum. Concentration of health professionals in large urban centres has resulted in lack of access to services for those who live in rural and more remote areas. Mismatches exist between the skill mix and skill needs in different health facilities resulting in inefficient use of resources and costly delivery of services. Lack of adequate human resources is much felt in the North East. Development and implementation of a Human Resource policy and a medium term HR plan remains a priority.

The progress made by Sri Lanka over the past several decades show that the country is marching towards achieving many of the health related MDG targets by 2015. However there is evidence that the national strategies are still not on track to realize the goal of Maternal mortality. Further whether all districts can match the aggregated national indicators too remains questionable.

2.2.6. HIV/AIDS: A multi – sectoral challenge

At present the rate of HIV prevalence in Sri Lanka remains low, but there are several factors that put the country at risk of the spread of HIV. Key risk factors include: internal and external migration, sporadic conflict which increases vulnerability (especially of women), tourism, the large number of unmarried sexually active young adults (the average age of marriage being around 28), the low use of condoms, men who have sex with other men, and the increase in commercial sex. It is also important to understand the close links between HIV, AIDS and poverty. First, as poverty puts people at risk of HIV transmission. And second, because the frequent loss of employment and increased health care costs of HIV and AIDS can also lead the non-poor into poverty. Although for now the global MDG indicator – to halt and begin to reverse the spread of HIV/AIDS by 2015 – might appear to be on track, there is no room for complacency.

An effective response to HIV/AIDS demands a broad range of interventions aimed at prevention and treatment, and this requires political leadership from the top on down. While the national response to HIV/AIDS is properly led by the Ministry of Health, the engagement of all – including government ministries and departments, civil society, religious leaders and the private sector – are needed now, while the problem is still manageable. The face of HIV is increasingly young which calls for addressing HIV/AIDS through strengthened reproductive and sexual health programmes for adolescents and youth. The need to pay special attention to gender concerns in HIV/AIDS remains a priority at policy level as well as in all interventions implemented to prevent and address the disease.

In addition, human rights concerns regarding people living with HIV call for advocacy against social stigma and discrimination. The rejection of those living with the virus is hindering prevention efforts, as people are afraid to get the information they need to protect themselves and to be tested. Sri Lanka's development strategies would need to factor in the implications of HIV in terms of poverty reduction and pro-poor growth plans. Account should be taken of the special vulnerability of women and girls; the need to ensure continued provision of antiretroviral treatment, care and support; and the need to build up capacity to undertake effective prevention measures and to cope with the impact of the virus at individual, family and community levels.

2.2.7. The challenge of social protection

The provision of social security through schemes of social insurance and social assistance, within the overall framework of social protection, is intimately related to the issues of income security and adequacy, and hence of *poverty*. Social protection is an expression which can be interpreted more or less widely, but covers those aspects of individuals', households material needs which, if they cannot be met from their own efforts or resources, should be provided in some measure by "society", either through government support or alternative mechanism^{lxxv}. Sri Lanka has addressed these issues in a way which has enabled more of its citizens to realise their rights to social protection than most other countries in the region. Although there are a range of schemes and institutions providing *social insurance* and *social assistance*, these are highly fragmented, resulting in a more limited potential than might otherwise be possible for a concerted effort to extend the national coverage.

The Samurdhi Programme is by far the most important social assistance scheme in the country in terms of coverage as well as in terms of government spending. It constitutes the second highest budget item in the Government's welfare spending. Although the programme covers around 41 percent^{lxxvi} of the population it suffers from issues of eligibility, exclusion, adequacy of benefits

and equity across the entire country. There is considerable leakage to the non poor and under coverage to the poor especially the elderly poor. Only 60 percent of the households in the bottom quintile received cash transfers in 1999/2000. While 31 percent of the eligible household received Rs. 600 per month, 39 percent of households received Rs.250 or less per month. The key issues to be addressed in the governments proposed reforms of the Samurdhi Programme, would be to maximize effective targeting and minimize leakage. It is also important to shift the focus of welfare programmes from cash handouts to the creation of income generating activities for the poor.

Although Sri Lanka provides extensive social security coverage, only 28 percent^{lxxvii} of its working population are covered under one or more of its formal schemes or the sponsored voluntary schemes that reach farmers, fishermen and self employed. Most of the existing schemes, suffer from major deficiencies of various kinds and will fail to provide sufficient benefits to keep their members out of poverty in their old age. Pensions provide some consumption smoothing over the life cycle for civil servants but hardly do so for those participating in other schemes. The benefits provided by the Employees' Provident Fund (EPF) are insufficient for a number of reasons, including low returns and a low pensionable age; moreover the lump sum payout offers no longevity insurance (against outliving one's savings). Also at 2 % of GDP, Sri Lanka has the highest pension spending on civil service pensions in the region.

Thus the overall needs are for institutional strengthening and reform and integration of existing schemes to promote targeted expansion of coverage with special focus on those employed in the informal sector. Furthermore, for effective poverty alleviation, in view of Sri Lanka's ageing population the focus should be on old-age benefits as well.

2.2.8. Ensure environmental sustainability

Sustainable development Provision of sustainable energy services and the stability of the environment are essential elements for sustainable development and critical in achieving Millennium Development Goals (MDGs). In the development agenda, it is vital to meet current human development needs without undermining the capacity of the environment to provide those same needs over generations^{lxxviii}. Sri Lanka has ratified a total of 36 Multi-lateral Environment Agreements (MEAs).^{lxxix} During the recent past a number of interventions to improve environment management have been made, however, the overall achievements have not reached desired levels. Actually, the national MDG report^{lxxx} shows that Sri Lanka is not on track in achieving any of the four available indicators of target nine (9) ^{lxxx}. The unsustainable use of natural resources still continues at accelerated rates. Recent occurrences of higher magnitude natural disasters including floods, drought and tsunami have increased vulnerability of country's environment due to enhanced dependency on natural resources and ecosystem services. Measures to protect existing marine and coastal ecosystems, as well as restoration of natural defence resources like corals, to reduce vulnerabilities of communities have also been noted in the National MDG Report. In addition, in the context of subsequent relief/reconstruction efforts, measures are needed to guide the management and use of hazardous materials as well as sustainable sourcing of materials, including timber and sand. The continuing stress to the environment such as land degradation, declining water resources and its quality, loss of biodiversity and natural ecosystems, waste management, land, coastal and marine pollution could create new problems.

Economic growth is the only realistic means to lift the poor out of extreme poverty in Sri Lanka. However, the ability of the poor to participate in economic growth must be improved if they are

to share in its benefits. The base or the building blocks of a pro-poor growth strategy begins with natural resources. They provide the pedestal upon which the vast majority of the poor now depend for their survival, but over which they exercise little control, and therefore cannot execute stewardship. In Sri Lanka, the poor are concentrated in rural areas and in pockets in urban areas. In rural areas, they depend on land, forests and water for their livelihoods. These ecosystems provide a natural asset in terms of goods and services that they can use to begin a process of creating usable assets that will improve them beyond survival and into the mainstream of the national economy. However, this can only happen under the right circumstances.

The role of good governance is critical to promoting pro-poor growth and vital to ensuring that the base of that growth, the natural resources, are managed wisely. The existing governance practices are the underlying barrier or the root cause of the current status of the environment in Sri Lanka. These practices need to include reforms that address issues such as land tenure rights, division of responsibility for managing resources, level of participation in decision-making processes and relevance of existing policies. In addition, accountability must be addressed to recognize and catalyze the role of people's self-interest in managing natural resources as a long-term asset and making people understand that natural resources are not free and limitless.

However, the past use of natural resources has not been altogether without benefits, because the resulting increase in food and other services has contributed to improvements in the lives of many people. Nevertheless, the gains have been unevenly distributed and poor have borne the maximum cost.

In light of the above, Sri Lanka's natural resource base needs to be managed with a long-term vision, which will provide the basis for a broad based economic development and poverty reduction across regions. This will require the formulation and enforcement of appropriate policies to ensure proper valuation of natural resources for economic decisions.

2.2.8.a. **Water and sanitation.** As an important determinant of health and according to the most recent data, access to *safe drinking water* is another key sectoral area to be strengthened. The national MDG report^{lxxxii} shows that Sri Lanka is on track in achieving access to safe drinking and sanitation indicators. Approximately 75.4 percent of households (excluding the North East) have access to safe drinking water and 72.6 percent of households are equipped with a sanitary latrine.^{lxxxiii} Disparities are prevalent, however, as evidenced by only 28 percent of estate households having access to piped drinking water and 27.7 percent having access to proper sanitation facilities^{lxxxiv}. With respect to water management, pipe borne drinking water is subject to a price, with a subsidy segment, but other forms of water supply are not subject to any pricing leading to possible overexploitation and inefficient utilization." So far, regulatory arrangements on tariffs, the quality of water and overall service provision have not been ratified and the need for an overall investment plan to set clear policies is needed. Currently the National Water Supply and Drainage Board (NWSDB) reports a gap of 40 per cent between the water production and the amount of water sold. This comes in light of an overall increase in demand for more costly service provisions, particularly piped water supply^{lxxxv}.

In the rural context, improved irrigation systems (micro-irrigation) and water conservation measures (mulching and surface covers) in agriculture, water collection methods (rainwater harvesting) and ground water recharging practices could enhance the efficient use and availability of water, especially in the dry land areas.

2.2.9. Urbanization and urban poverty

Urbanization and urban poverty in Sri Lanka present additional elements to be considered in sustainable growth strategies and poverty reduction. As such, there is an increasing rate of urbanization that concentrates (51%) in the Western Province, including Colombo, Gampaha and Kalutara districts. The urban poverty ratio is 7.9 % and has decreased by more than half over the past 10 years yet simultaneously the absolute poverty levels in urban areas remain significant^{lxxxvi}. Urban poverty in Sri Lanka manifests itself in inadequate shelter, low access to urban services by the poor and non-viable income opportunities in the informal economy. The acute problem of shelter, largely confined to Colombo, presents a challenge in terms of the MDG target for slum dwellers^{lxxxvii}. In Colombo there are approximately 65,000 housing units that are inadequate for human habitation. 35% of households living in slums are women-headed, the majority of whom have decreased opportunities to escape the poverty cycle. Only 4% of Colombo's population live in income poverty, yet 50% live in slums and shanties; a clear indication that eluding income poverty does not translate to escape from human poverty. In this context it is worth noting that the increased pace of urbanization is adding to environmental stress due to encroachments and habitation in extremely sensitive land such as flood retention areas.

Lack of opportunity to have access to adequate shelter and security of abode manifests itself in proliferating human poverty. These basic human needs and rights have to be effectively addressed in the development agenda of all stakeholders.

Furthermore, constraints pertaining to low levels of municipal revenues and low capacity for revenue collection, pose limitations that affect the quality and levels of service delivery in urban centres. Recent Government reforms indicate that due attention is also being given to urban development as an element of the national growth strategy alongside the recognition of the benefits of urban centres as growth poles for a balanced regional development. Increasing rate of urbanization may be viewed as mutually reinforcing with rural development given the potential market linkages for a variety of high-value agricultural products and raw materials from the rural areas and higher demand for manufacturing products arising from increased rural income. In Sri Lanka, the need for deepened and accelerated rural –urban linkages as part of the growth strategy would merit more analysis and interventions.

2.2.10. Disaster Management and early warning: a challenge for achieving the MDG.

It is a well know fact that exposure to disasters increases the vulnerability of the poor, deepens their poverty and prevents them from taking advantage of economic and social opportunities. This has a direct impact on achieving meaningful progress towards the MDGs. Disasters have a direct negative impact on achieving progress in areas such as income poverty and malnutrition to which some regions in Sri Lanka such as North Western Province, Uva and Sabaragamuwa are vulnerable.

After the tsunami, (graphically described in Box 1 - page 3) it became clear that the existing institutions did not have the capacity, legal mandate or authority to deal with large scale disasters. The Parliament constituted a Select Committee on Natural Disasters^{lxxxviii} and the Disaster Management Act was passed on 13 May 2005. The Disaster Management Centre (DMC) was established as a focal point for Disaster Management in Sri Lanka.and in November 2005 , the Ministry for Disaster Management was established^{lxxxix}. The DMC has endorsed a multi-hazard, disaster reduction approach, and presented a Roadmap.

These developments demonstrate an important level of political commitment to disaster risk management. However, given financial and capacity constraints, these are serious challenges that are an impediment to the effective implementation of the Roadmap. In taking the Roadmap forward the DMC has identified 42 priorities for action, included in the next national budget. These priorities focus both on natural and man made disasters, disaster management and human rights. In this context, it is important that the DMC be able to ensure effective co-ordination between government and other stakeholders.

The Roadmap makes a good start at identifying options for disaster mitigation and prevention. However, achieving sustainable reduction of disaster impacts upon key sectors such as agriculture and energy will also require concerned line ministries to address these issues in their own plans and budgets. The way the Government addresses these issues in its forthcoming National Development Strategy will be an important indicator.

Significant efforts have been made to ensure more effective early warning systems since the tsunami. The Japan Meteorological Agency (JMA) and Pacific Tsunami Warning Centre (PTWC) have agreed to provide tsunami advisory information. With this, Sri Lanka will now be able to receive and respond to tsunami warnings on a 24-hour basis. Facilities have been improved in order to disseminate warnings without any delay to the general public and several communication pathways have been identified. It is important to ensure that systems are also in place and equipped to deal with data collection, analysis and interpretation, forecasting and early warning dissemination for other hazard risks as well.

The Government would need the help of development partners in covering all risk - prone communities, especially in coastal areas on disaster awareness, evacuation procedures, contingency planning and a response mechanism with a multi-hazard focus.

CHAPTER III

IMPROVING GOVERNANCE TO ACHIEVE THE MILLENIUM DECLARATION/MDGs

Governance is the exercise of political, economic and administrative authority to manage a nation's affairs at all levels. A well-governed Sri Lanka will create an enabling environment for the achievement of the MDGs and respect for the human rights of all its citizens. Good governance is, among other things, participatory, transparent, accountable, equitable, effective, and efficient. It promotes the rule of law and equal justice under the law. It also recognises that governance is exercised by the private sector and civil society, as well as by the state.

3. The political background

3.1 Recent political developments: Since 1999 there have been two Parliamentary elections^{xc} and two Presidential elections^{xcii}. In November 2005, the Presidency was won by the PA/UPFA candidate indicating a basic continuity of policy since 1994. There was, however, a period of three and a half years of “cohabitation” after the UNP won Parliamentary elections in December 2001. Despite the attendant political problems that came with “cohabitation”, it was during this period that the Ceasefire Agreement (CFA) (see Box 7) was negotiated with the LTTE. However, the lack of a bi-partisan ‘southern’ consensus on this important policy initiative continues to negatively impact on the peace process.^{xciii}

Box 7 Chronology of events since the signing of the Cease Fire Agreement (CFA)

The Cease fire Agreement (CFA) of 22nd February 2002 was negotiated between the GoSL and the LTTE with the facilitation of the Royal Norwegian government. The Agreement contains 4 Articles viz the separation of Forces; the return to normalcy; the establishment of a Monitoring Force; and the procedures for abrogating the Agreement. The CFA has provided a platform for Talks between the parties on a variety of issues including human rights. Two of the highpoints in the peace process which the Agreement initiated were the Oslo Communique, Dec 2002 where the parties agreed to explore a solution founded on the principle of internal self determination based on a federal structure within a united Sri Lanka and the Tokyo Declaration, June 2003 where a number of bi lateral and multi-lateral donors pledged US\$ 4.5 billion for a recovery programme for the country conditional on progress on the peace process. The GoSL was able to resume the Talks between the parties which had been in suspension since April 2003 in April 2006 in Geneva. A second round of Talks scheduled for Geneva in May 2006 has had to be postponed. A subsequent meeting between the two sides to resolve issues relating to the SLMM in Oslo in June also did not take place as planned.

Key dates

2002 February, Government and Tamil Tiger rebels sign a ceasefire agreement
2002 December - At peace talks in Oslo, Norway the government and rebels agree to explore a solution based on a federal structure within an united Sri Lanka
2003 April – LTTE suspend their participation in peace talks
2003 November - President Kumaratunga dismisses three ministers, suspends parliament. Parliament reopens after two weeks but negotiations with Tamil Tigers are put on hold

2004 March - Renegade LTTE commander, known as Karuna, leads split in rebel movement

2004 April - Early general elections held amid political power struggle. Party of President Kumaratunga wins 105 of 225 parliamentary seats, falling short of overall majority.

2004 December -35,000 people are killed by the Tsunami

2005 June – P-TOMS agreement between the Government of Sri Lanka’s and the LTTE reached to share tsunami recovery aid among Sinhalese, Tamils and Muslims. JVP party pulls out of coalition in protest

2005 August - State of emergency declared after Foreign Minister Lakshman Kadirgamar is assassinated by allegedly the LTTE.

2005 November - Mahinda Rajapakse, prime minister at the time, wins presidential elections. A majority of Tamils in areas controlled by the LTTE do not vote in the election consequent to the LTTE deciding that the Election be ‘boycotted’.

2006 February - Government and LTTE declare “to respect and uphold” the 2002 Ceasefire Agreement at mediated peace talks in Geneva, held in response to an upsurge in violence.

2006 April - Explosions and rioting in Trincomalee, in the north-east, leave 16 people dead. A suicide bomber attacks the Army Commander in the main military compound in Colombo, severely injuring the Commander and killing at least eight people. The military launch air strikes on Tamil Tiger targets.

2006 Feb- All Party conference convened by President to discuss peaceful resolution of problem

2006 March . Talks resume in Geneva regarding the functioning of the CFA.

2006 June. Planned meeting between GoSL and LTTE to resolve issues re SLMM scheduled for OSLO does not take place

2006 July Blocking of irrigation water supply at Mawil Aru anicut leads to outbreak of armed hostilities. Muttur attacks lead to thousands of Muslims being displaced.

2006 August Low intensity armed conflict continues in the North with attempts by LTTE armed cadres to enter the Jaffna Peninsula.

3.2. Constitutional safeguards for good governance and human rights:

The first Constitution^{xciii} of independent Sri Lanka decreed that Parliament was expressly prohibited from legislating in any manner that would confer on any community or religion any right or privilege that would not be available to members of any other community or religion. This provision was intended to safeguard the fundamental rights of all in the context of the multi-ethnic, multi-religious social composition of Sri Lanka.. However this provision was not included in the 1972 Constitution that established the Democratic Socialist Republic of Sri Lanka (and also

declared Sinhala the only official language). Some analysts trace the roots of the present tensions to this transition.

Some protection was offered to minorities by including in the 1978 Constitution a justiciable chapter of fundamental rights, including non-discrimination and equality before the law. Furthermore in 1987, in response to demands for greater devolution of power to the areas of Tamil habitation (and following the Indo–Sri Lanka Accord which ended a period of bitter conflict), the 13th Amendment to the Constitution was passed by the Parliament providing for 8 Provincial Councils with some devolved powers. (see Box 8) Sri Lanka’s sub national government today consists of the 9 Provincial Councils and 311 other local government units comprising 18 Municipal Councils, 37 Urban Councils and 256 Pradeshiya Sabhas. Financial transfers from the Central government to the Provincial Councils amounted to Rs 54 billion in 2005 which is about 10 % of the national budget

Box 8 Devolution: The 13th Amendment

The 13th Amendment (1987) provided for the devolution of some central powers viz – education, health, social services, cultural affairs etc to elected Provincial Councils. The Centre retained the powers of defence, law and order, finance etc and some powers were concurrently exercised. National policy was also decreed to be a function of the Centre. The devolution of powers was limited since the unitary character of the Constitution precluded a more extensive sharing. The Supreme Court decision on the 13th Amendment laid down the limits to which devolution could go. Following the Indo- Sri Lanka Agreement (1987) the Northern and Eastern Provinces were temporarily merged making for 8 Councils although the country is divided into 9 Provinces administratively. However, after an attempt at unilaterally assuming more powers than permitted, the North-East Provincial Council was dissolved in 1990. No elections for the North- East Council have been held since and the (NEPC) is presently administered by a Governor appointed by the President.

Further attempts at amending the Constitution in 2000 towards a more devolved federal system were not accepted by the then Parliament. Under the present Constitution, amendments require not only a two –thirds majority in Parliament but a plurality of votes in a national Referendum. The supreme law of the land is therefore well entrenched and requires a wide national consensus and agreement between the leading political parties for major changes to be achieved. A perennial issue for governance in Sri Lanka has been the inherent difficulty of the polity to achieve consensus around even the most nationally critical problems. The Government has recently established an All Party Conference, supported by a technical advisory committee, to develop new constitutional proposals in support of the peace process.

The Constitution also includes a strong chapter of fundamental rights. The Fundamental Rights chapter includes important principles such as non-discrimination and equality before the law. These principles are important in furthering gender equality. However, it must be noted that there is no decision of the Supreme Court which has dealt with women being discriminated against on the basis of sex, although one case was settled out of court a few years ago. While the fundamental rights contained in the Constitution are justiciable before the Supreme Court, this is subject to limitations including the absence of effective judicial review of legislation once it has been passed by the parliament. While some rights – such as the right to life and economic, social and cultural rights - are not explicitly covered in the Constitution, these have been interpreted into its provisions by the progressive jurisprudence of the Supreme Court.

The fundamental rights procedure has become overloaded, however, with many cases addressing administrative issues rather than the more serious human rights concerns. While civil society organizations have brought cases, especially on environmental issues, the development of public

interest litigation has been limited by the issue of *locus standii* before the courts. The Government has now committed itself to developing a new and more comprehensive human rights charter as part of broader constitutional reforms.

Seeking the resolution of inter-personal problems through litigation is customary in society. Delays in court proceedings for both criminal and civil matters impose significant costs and demands on people's time. This stems partly from the capacity of the courts and the centralization of the higher levels of the system. Poor and disadvantaged groups face significant barriers to accessing the formal justice system, and the court system has no reach in some conflict-affected areas. The problem is aggravated by a shortage of legal aid programs, alternative dispute resolution mechanisms and other channels for redress. Low conviction rates and problems of custodial violence have tended to undermine the relationship between the community and the police.

In addition to constitutional provisions, there is provision for Mediation Councils in the law founded on the tradition of the village tribunals which were active in dispute resolution in the past. Public awareness of these mechanisms and capacity building of the institutions are needed. The same would be applicable to the free legal aid programs which have a partial coverage and limited sustainability.

Underlying these manifest challenges to the development of the justice sector are basic root causes relating to the lack of clarity of the legal and institutional framework and the lack of capacity of the system and its constituents to overcome the consequent problems.

The present national development policies make a powerful commitment to "devolve power to the level of the citizen". Thus a participatory approach in governance should begin at the local level with a need to strengthen local authorities on good participatory governance practices. This needs introduction of policies and reforms, proper institutional monitoring and evaluation and a structured capacity building agenda for local government institutions.

3.3. The role of Civil Society

The democratic space in Sri Lanka is actively contested especially by several vibrant civil society groups in the metropolis. There are no political restrictions to the establishment of NGOs. Nearly 1.000 NGO were officially registered in 2004.^{xciv} Another 176 were registered after the tsunami at the governmental CNGS^{xcv}. In addition to that, a large number of local Civil Society Organisations (CSO) work in the country with different levels of institutional capacity. A recent mapping of 8 districts affected by the tsunami identified more than 1.000 CSOs^{xcvi}. However there are relatively limited opportunities for the mass of the people to participate in the decision and policy making processes that affect their lives. They often lack the information and awareness needed to participate fully and make informed choices, and the political access and legal tools to claim their rights and entitlements.

Meaningful engagement by the public sector with civil society except at the Centre by politically conscious NGO's, is uncommon and not mandatory. There are few incentives for local officials to initiate such partnerships. The limited role of civil society in the development of public policy is also exacerbated by the proliferation of civil society organisations often based on ethnic, sectarian, economic or geographical cleavages - a phenomenon which serves both to limit the capacity of civil society and to further lessen the rationale for the public sector to embrace a policy of meaningful engagement. Much of the civil society discourse is Colombo-centric and

there is the need for platforms that bring forward the voices and perspectives of local based organizations. The hardening climate against NGO's in the media, and at times government directives, has had a chilling effect on civil society playing its expected role. A balance needs to be struck between appropriate measures to promote NGO accountability and transparency without inappropriate forms of intrusion and interference.

The Private Sector through its various Trade Chambers has come to play an increasingly important role in public policy determination. Its influence in moving the peace process forward has been noteworthy.^{xcvii}. The significance of the Trade Unions impact on policy change is considerable. Its role remains critical in the economic reform process when its interests appear to be threatened.

Sri Lanka has always had a robust media. Media freedom and freedom of expression has been jealously guarded. There is however a polarization of the media along ethnic and political lines and a paucity of professional journalists. The insufficiency of media literacy at the level of the end-consumer to analyse information and the lack of a voice for provincial journalists and editors have been concerns which have received attention.. The recent establishment of a Press Institute through the initiative of the Editors Guild is noteworthy.

Box 9

Structure of the Media

Radio; The state-owned Sri Lanka Broadcasting Corporation (SLBC) broadcasts in all three languages and has country-wide reach. There are also eleven privately owned services. The private sector has attracted foreign investment and collaboration.. Radio diffusion in Sri Lanka was the highest in the South Asian region in the mid 1990's. It remains the most popular form of public communication.

Television; TV broadcasts are offered by the State-owned Sri Lanka Rupavahini Corporation (SLRC) and by six private channels. SLRC controls three channels, Rupavahini, EYE channel and ITN. Rupavahini has 33.5% of audience share, ITN 13.3% and EYE 3.7% in 2001. A Central Bank survey in 2003 found 68% of households having television. The number of receivers island wide in 2000 was 1.9 million. Rupavahini at 97% has the best coverage.

Press; The ANCL ('Lake House' combine) is controlled by the State and publishes in all three media. There are private media run by the Wijeya Group and the Times Group but the spread of the ANCL is by far the largest. The Chairman and Director Boards of the State owned media institutions are appointed by the Minister in charge of the portfolio of Media and Information with the approval of the Cabinet.

Notwithstanding some of its positive contributions and given the dominance of the State Media and its power to positively influence public opinion, the media has not contributed sufficiently in gaining mass support for an effective peace process. The ambivalence of the media reflects the diversity of views represented in coalition governments which have been the pattern in recent years.

A comprehensive information strategy remains pivotal to mobilizing and sustaining support across the political spectrum especially for a negotiated settlement of the ethnic problem. A well conceived strategy could help in arresting misinformation and the spread of rumors that can take root in the absence of a constant flow of accurate and factual information from the decision makers to the grassroots communities. A comprehensive strategy should encompass the mainstream media and other channels of communication such as alternative media, street theatre, community radio etc. It should involve the active participation of civil society and partners at the

grassroots level. A key element in this would be the adoption of freedom of information legislation which has been mooted but never finalized.

3.4. The Public Service and public service delivery

Under the *Mahinda Chintana* – the political vision of the Government – a strong, effective and efficient public administration is to be the driver of the major programs of the Government. For Sri Lanka, now committed to the achievement of the Millennium Development Goals by 2015, an efficient public service will remain a crucial pre-condition to the achievement of the MDGs and sustainable human development. Likewise, the achievement of the MDGs will largely depend on the country's preparedness and success in ensuring that public service capacity is located and developed at the local level where vital public services are delivered. This remains an important issue in linking decentralization and public service reform for the benefit of the public.

The Government sees the role of the public service to be that of facilitator, nurturer, pace-setter and standard bearer. The public service is expected to focus on learning to anticipate change, adapt to change and develop skills to meet the future in innovative ways in a globalized competitive world. The role of senior public sector managers remains crucial in realizing this vision.

The issues surrounding public service delivery are well known and have been debated by several prominent commissions. During the decades immediately after independence, successive Governments assisted by an effective public administration were able to achieve impressive gains leading to exemplary social indicators. However later, the abolition of an independent Public Service Commission (PSC), among other allied critical factors, ushered in an era of increasing politicization, patronage and fragmentation in administration, leading to an overall decline in civil service standards, capacity and work ethos.

While some Governments of the past functioned efficiently with only eight ministries (in the 1960's), in recent times the ministries have numbered well over 50^{xcviii}, nearly three times the average number in Asia, and more than four times the OECD norm. At present, there are just over 1 million civilian public employees in Sri Lanka. Within the Central Government, the executive branch directly employs approximately 323,000 people, the Provincial Councils 252,543, while State enterprises and other semi-autonomous agencies employ around 200,000. Local government authorities ie. Municipalities, Urban Councils and the Pradeshiya Sabhas give employment to a further 43, 582. From a human rights perspective it is significant, on the other hand, that the central legislature, the judiciary, and other independent bodies established under the Constitution, which perform oversight and monitoring functions, have a combined staffing of fewer than 7,000 employees. On a per capita basis, public employment levels in Sri Lanka are well above that of other countries in South Asia.

The pay of public service employees consists of many somewhat opaque allowances. Recent pay reforms have reversed the pay consolidation of the late 1990s so that allowances now represent nearly 45% of the wage bill. The central government wage bill has fluctuated between 5.1 and 5.7 percent of GDP since 1995.

Furthermore, a number of significant challenges are present in efforts to improve internal accountability processes within the public sector. Most evident is the problem inherent in a public sector with a large number of ministries/public bodies, at national and sub-national levels, with

unclear and/or overlapping mandates. This inhibits accountability as it is often unclear just which entity is to be held accountable for which role or task.

Sri Lanka's public administration also suffers from some outmoded systems of management in government characterized by weak delegation of authority. Although the training work of SLIDA and 'distance education' have helped, there is much that can be done in human resource development and management. Government organizations need to function with clear visions and plans and be proactive rather than reactive. Government organizations tend largely to operate under multiple and conflicting objectives. As a result work and performance suffer. A high degree of emphasis is put on process rather than on actual performance.

There have been a number of efforts towards reform. However though committed to reform the GoSL has often shown itself to be unable to halt and reverse this decline. The influence of strong Trade Unions and Associations of employees in diverting Governments away from their expressed policy intentions is pervasive and well documented. The 1987 Administrative Reform Committee Report (the so-called Wanasinghe Committee) is widely credited with having produced an excellent set of recommendations, many of which remain relevant today.

The challenge of restoring the efficiency and effectiveness of the public service, along with enhancing its transparency and responsiveness, is a major one that will of necessity need to unfold over several years.

In the short term, the major substantive challenges confronting the Government regarding the making of an efficient and effective public service must of necessity involve the following;

- (i) Reducing undue interference by political authorities at various levels.
- (ii) Limiting the maximum number of Ministries through a Constitutional provision.
- (iii) Reducing the heavy overstaffing through the formulation of a clear medium term public administration strategy,
- (iv) Attracting and retaining quality personnel in the public service
- (v) Implementation of a clearly defined grievance handling mechanism to avoid sudden work stoppages, especially in the essential services.

Box 10

What politicization means: the practice of politicians intervening at all levels – Divisional, District, Regional and National – in the administration and delivery of services by prevailing on administrators to show preferment to those who support them, has been held to be endemic. This was sought to be minimized by the 17th amendment of the Constitution unanimously passed by Parliament in 2000, which brought into being the Constitutional Council with a view to limiting the powers of the Executive President regarding key appointments to independent oversight bodies. The Constitutional Council is mandated by Law to propose to the President a list of candidates from which alone appointments to these key institutions of governance such as the PSC and the Police Commission could be made. This was a significant democratic restriction on discretionary power and it was hailed as a vital measure in reversing the trend towards politicization in appointments to public office. Unfortunately, the Constitutional Council has been defunct since March 2005 owing to a political dispute over its composition. This has in turn impacted on appointments to the various independent bodies in the recent past.

3.5. Key Oversight Mechanisms

At the institutional level, shortcomings of key oversight institutions in relation to capacity and the legal framework, particularly Amendment 17 (see Box 10), under which they operate continues to inhibit the subjection of Ministries/state bodies to a standard of rigorous oversight which could stimulate or enforce internal change. However, the recent establishment of a Ministry of Planning and Plan Implementation by the government denotes a significant step in the right direction.

The capacity of the Commission for the Investigation of Allegations of Bribery or Corruption and the office of the Auditor General to perform adequately the tasks with which they are mandated are matters of ongoing concern. The longstanding difficulties these institutions have experienced in getting the resources they require, point to some ambivalence with regard to the nurturing of strong and independent oversight bodies. There also exist some gaps and overlaps in relation to the designation of key tasks in relation to fighting corruption and enhancing transparency and accountability. For instance, CIABOC which is empowered to investigate and prosecute is not explicitly mandated with corruption-prevention and awareness-raising functions. There are also challenges with regard to strengthening and maintaining the independence of the key actors in this important sector, particularly the Auditor General's Office and the CIABOC. Clear benefits could accrue from addressing these gaps if such efforts were complimented with an improved legal framework to strengthen the budgetary and institutional independence of these key state actors.

Weaknesses are also to be noted with regard to key oversight committees within Parliament, most of which have limited capacity. These Committees are chaired by the Minister whose Ministry is supposed to be subject to the committee's oversight. Overcoming both impediments to an effective committee system is central to enhancing the Parliament's performance of its oversight role and to further promoting a culture of accountability across the public sector.

Oversight bodies such as the Human Rights Commission and National Police Commission have limited powers and are currently severely overloaded with work. The Human Rights Commission, an independent body established by statute in 1995 and incorporated into the 17th amendment to the Constitution, is a key element of the national protection system. But it is constrained by having part time commissioners and inadequate statutory powers. The HRC received 4,069 complaints in 2004, and 4,118 in 2005. It lacks the human resources to work effectively, particularly in its regional offices (there are now approximately 3,600 cases pending). It remains dependent on donor funding for many important initiatives and projects and suffers from a heavy backlog of cases, many relatively minor concerns, which constrain it from focusing on the worst abuses^{xciix}. The recent political controversy over appointments to these commissions in the absence of a functioning Constitutional Council (as provided for in the 17th amendment) has also affected the public standing of these bodies.

Sri Lanka has a positive history of cooperation with the international human rights mechanisms, especially the UN Treaty Bodies and Special Procedures of the Commission on Human Rights. Sri Lanka permits individuals to make complaints and petitions to the UN Human Rights Committee. As a result, there is a solid body of observations and recommendations addressing many critical issues. While some progress has been made in following up on these by the Human Rights Commission and inter-ministerial mechanisms on human rights, more could be done to ensure effective implementation. On the other hand, although Sri Lanka has ratified the Optional Protocol to CEDAW which allows for individual complaints to come before the CEDAW Committee, there have been no complaints to date. A lack of awareness of the complaints procedures in the UN system could be one cause of this. At the international level the election of

Sri Lanka to the Human Rights Council is noteworthy. It carries with it the obligation to be exemplary in the fulfillment of its duties under the Covenants the government has acceded to.

Box 11

Linking Peace and Governance

Conflict in Sri Lanka is often conceptualized as a crisis of governance, with the structural causes of the conflict being rooted in issues of governance. An in-depth analysis of the structural challenges identified in chapter IV (Prevent Conflict/Build Peace to achieve MDGs), reveals its convergence with issues of governance. It is worth highlighting that the capacity gaps and structural flaws such as weak oversight mechanisms and public service delivery are not solely a ramification of the conflict, rather they precede the conflict and have been exacerbated due to conflict.

The process of conflict transformation can facilitate on the one hand, the space to address the root causes of conflict and on the other, overarching state reform, which will contribute towards preventing future identity based conflicts and towards the overall development of the country

The vision of an inclusive peace presented in the Mahinda Chintana articulates that sustained development of governance can help lay a more stable foundation for peace. This was stated by H.E. the President in his address to the All Party Representative Committee on Constitutional Reforms on 11 July 2006. The President advocated for a solution that, while drawing from international experiences, will essentially be homegrown and ensure that local people take charge of their destiny and control their politico-economic environment. This reemphasizes the need for conflict sensitive good governance initiatives based on principles of subsidiarity. In particular:

- As the All Party Representative Committee on Constitutional Reforms and the Panel of Experts begins its work on issues relating to autonomy and devolution, its work could benefit from comparative expertise and facilitation provided by experts from the country and the wider sub-region, so that a strong and lasting consensus is achieved.
- The implementation of the constitutional provision for Mediation Councils, in conjunction with the strengthening and rationalization of the roles of elected local bodies and appointed local officials, could provide a strong basis for enhancing peace, reconciliation, and social cohesion at the local level, especially since the Mediation Councils draw on traditional mechanisms such as village councils. The experience of village panchayats in India in enhancing participatory decision-making and conflict resolution at local level could provide a useful example.
- Sri Lanka's robustly free media could benefit from new professional standards that allow for reporting that is sensitive to issues of ethnic and political polarization. The Press Institute, established through the initiative of the Editors' Guild, could serve as an important focal point for these efforts, especially with regard to developing and implementing a media strategy that utilizes different outlets to mobilize greater popular support for, and involvement in, a lasting peace.
- While Sri Lanka has benefited from the contributions of a wide range of non-governmental and civil society organizations, organized civil society that represents key constituencies, in the form of trade unions, religious organizations, inter-faith bodies, and chambers of commerce, has yet to engage fully with public officials in a dialogue on key challenges facing the country. If assisted in developing this dialogue, these "mass membership" organizations could play a central role in organizing a "nation-wide" constituency for peace. In addition, they could constitute an important resource for the management and resolution of conflicts at the local level."

3.6 Bottom-up accountability

Accountability for public service delivery and local level planning is best located as close as possible to the point of delivery. Localized accountability mechanisms are vital to ensuring this

and empowering local communities to advocate for standards of local governance that meet their needs and expectations.

Despite the 13th Amendment,^c there is a lack of clarity of the roles and responsibilities in service delivery of the central and sub-national levels of governments, and whether Sri Lanka is aiming for a **decentralized (devolved) system** centered on the Provincial Councils or a **deconcentrated** system (centered on the Government Agents. (see Table 2 below showing elected and appointed authorities).

| Table- 2- decentralized and deconcentrated structure | |
|---|-------------------------------------|
| <i>Decentralized (Elected)</i> | |
| <i>Deconcentrated (Appointed)</i> | |
| Sub-National Provincial Councils | Government Agent/District Secretary |
| Local Govt. Municipalities | |
| Urban Councils | Divisional Secretary |
| Pradeshiya Sabhas | Grama Sevaka |

Moreover Local authorities are frequently charged with tasks without being provided with the commensurate powers, particularly financial powers, to fully address local needs. In this connection the relative lack of resources of the Provincial Councils (receiving 10 % of the national Budget) which are the sub-national authority responsible for delivery of much of the peoples needs is worthy of note^{ci}. As a consequence many prefer at present to have their needs attended to through the official (de-concentrated) line. Although this may be speedy, efficient and effective it carries with it the risk that consumer need, peoples participation and empowerment, may suffer.

Despite the mandate of local government bodies, such as the municipal/ urban councils and the Pradeshiya Sabhas, to deliver basic services critical for the realisation of the MDGs^{cii}, there are currently serious capacity constraints facing these institutions. The streamlining of roles and responsibilities of subnational governance structures, which should take into account aspects of inclusion and empowerment, will need to go hand in hand with capacity development strategies to adequately equip local government to perform these key tasks.

What appears to be critical therefore is for the government to formulate a vision for a comprehensive decentralization policy within -- a broader public administration reform that could cover, inter alia:

- (i) An explicit strategy on decentralization -- and one which is for obvious reasons conflict sensitive – which delineates much more clearly the respective roles and responsibilities of the different levels of government and their expected sources of financing;
- (ii) Adoption of reforms in the area of improving customer focus and client orientation..
- (iii) Alleviation of the specific problems faced by marginalized groups.

In the final analysis the accountability of the agencies of governance is determined at free and fair elections regularly held. By the exercise of their ballot the people ultimately decide whether their governors have done well or ill. In this respect the regularity of elections at national and sub – national levels has been commendable. Regrettably the experience in the North and East has been different. Both in the area controlled by the LTTE and in other parts of the North and East,

elections to local government bodies and the Provincial Council have been regularly postponed owing to security considerations.

CHAPTER IV:

PREVENT CONFLICT/ BUILD PEACE TO ACHIEVE MDG's

Article 8 of the Millenium Declaration, which Sri Lanka has endorsed, states that no effort will be spared to free our peoples from the scourge of war, whether within or between States. The MD also resolves in this regard to make the UN more effective in maintaining peace and security by giving it the resources and tools it needs for conflict prevention, the peaceful resolution of disputes, peacekeeping, post-conflict peace-building and reconstruction

The Government has committed itself in terms of the Millenium Declaration to ensuring that children and all civilian populations that suffer disproportionately the consequences of armed conflicts and other humanitarian emergencies are given every assistance and protection so that they can resume normal life as soon as possible. Mahinda Chintana expresses this intention succinctly when it says “ *the aim would be to arrive at a peaceful political settlement where the power of each and every citizen is strengthened to the maximum.*”

The 20 year-long armed conflict has seriously undermined the best efforts of Government to develop the country and bring prosperity to all its people. Prevention of armed conflict and the consolidation of peace remains the essential pre-condition for achieving the MDG's and sustainable human development. Building on the lessons learned in the past the analysis in this chapter highlights some of the structural challenges which would need to be addressed if the above goals are to be achieved.

In 2002, the GoSL invited the United Nations and other development partners to support the socio-economic dimensions of the peace process. Since that time, UN agencies have been engaged in a wide range of humanitarian, reconstruction and rehabilitation activities in the conflict-affected areas. These have included livelihood support and protection to IDP's, temporary housing and mine action. The UN has provided support to the Government, LTTE and Muslim peace secretariats, as well as a wide range of community-based peace and reconciliation initiatives. The UN has supported a comprehensive framework for war-affected children, and has recently put forward a new package of confidence building and stabilization measures for displaced populations. The United Nations has also lent political support to the parties efforts to find a peaceful solution with the help of the Norwegian facilitators. The question going forward is how the UN can best apply its programmatic and political support to conflict prevention and peacebuilding, both at a national and local level.

4.1 Social and Economic inclusion.

The Sri Lanka Labour Force Survey (2004)¹ shows that in terms of unemployment the Eastern Province had the highest unemployment rate (10.5 %), with the Northern Province being third with an unemployment rate of (9.2 %). The difficulty of obtaining accurate vital statistics, particularly gender disaggregated, for the Northern and Eastern Provinces in view of the unsettled security situation at most times, has made comparative analysis of the social and economic status of the different community groups not possible. However there is the perception that those parts of the country in which the Tamil speaking minorities predominately live, as in the Northern and Eastern Provinces, have been historically relatively less well provided for by the State.

The Mahinda Chintana addresses the need for responding to such feelings of exclusion among communities in the North East by stating that “*having understood your struggle for survival against various odds I will take action to expeditiously solve your problem.*” The Jaya Lanka programme to accelerate post conflict and tsunami reconstruction and the establishment of RADA are important initiatives to remedy the perception and build reconciliation.

(i) Language. Official language has been a divisive issue and the immediate cause of conflict at times in the country’s modern history. In 1987 following a period of armed conflict between the Government and the LTTE, the mediation of the Government of India and the Indo Sri Lanka Agreement, both languages Sinhala and Tamil were recognized as official languages and English too was given the status of a link language. The 1978 Constitution (Article 22) declares that Sinhala and Tamil shall be the languages of administration throughout Sri Lanka. The Government has declared that “the Official Languages policy will be implemented vigorously”. The effective implementation of this decision will remove a disability with which the Tamil – speaking minority have laboured with for decades and achieve the goal of inclusivity and empowerment. But to get over this language barrier which Tamil speakers face in most parts of the country except the North and the East, will need much effort. There are two main constraints here. That, as the recommendations of the Official Languages Commission state, a significant number of public servants have not been trained over the years to work in both languages, and secondly the number of Tamil speaking employees in the public service is very low. In 2003 their number was around 8.31% of the total public service. See Table 3 below;

Table 3.

Tamil Speaking Public Servants by sectors and ethnicity (2002- provisional):

| Sector | Total number of employees | Muslims | Sri Lanka Tamils | Tamils of recent Indian origin | Tamil Speaking employees (Total) |
|--------------------|---------------------------|---------|------------------|--------------------------------|----------------------------------|
| State | 295,734 | 3.09% | 5.06% | 0.25% | 8.40% |
| Provincial Council | 292,072 | 5.075% | 12.3% | 1.76% | 19.81% |
| Semi government | 247,845 | 3.20% | 5.48% | 0.37% | 9% |

Source: Census & Statistics Department

Note: figures do not include the Police Department and the Armed Services.

This indicates the urgent need to have more equitable representation of the different communities at all levels of the public administration both spatially and in decision making positions.

(ii) IDP’s. Finding durable solutions for the more than 380,000 IDP’s who yet remain displaced by the conflict is important in rebuilding inclusivity. Since they lived earlier in the Northern and eastern provinces they are largely Tamil- speaking¹. While strides have been made in broadening the types of support provided to conflict IDPs, there remain formidable obstacles to successful IDP return. These include land issues (encroachment of their lands, the High Security Zones and security concerns; lack of infrastructure to address basic needs (education, health, transportation, livelihoods training and inputs); and lack of viable livelihood and employment options.

The paucity of suitable land that can be used for the resettlement or relocation of IDPs is another major obstacle in finding durable solutions to displacement. In some areas there is very little

State land that can be used for this purpose, Host communities are often unwilling to receive IDPs for resettlement due to a fear of negative economic impact and pre-existing prejudice against the ethnicity or religious background of those being resettled. Encroachers too have worn thin the patience of private landowners and also contribute to the ill-will of local communities.

Many IDPs live in welfare centres near cities and have become accustomed to urban living. The land offered for resettlement is often in rural areas with no access to basic infrastructure such as schools, health centres, and electricity. As many IDPs have been displaced for over a decade, they often no longer possess the vocational skills necessary to live and prosper in rural areas. There is a need for looking flexibly at the possibilities of an urban solution to displacement. However the cost and social implications which such demographic change would create would need consideration. The use of potential residential land in the Jaffna peninsula for HSZ.s by the military is a disputed issue which needs to be determined through negotiation between the parties. The Government has flagged it for discussion at future Peace Talks. Necessary documentation to prove ownership of land by returning IDP's has also been an issue. The destruction of documents in the tsunami has heightened this problem.

Mine action in which the Government has successfully mobilized the assistance of the UN and several INGO's has had beneficial results in freeing up land rendered unusable owing to anti personnel mines. This has helped IDP resettlement. At the beginning of the mine clearing programme it was estimated that there were approx 1.5 million anti- personnel mines planted, mostly in the Northern Province. The work of the Sri Lanka military in mine clearing action has been widely applauded. The Government has indicated its intention to accede to the Ottawa treaty.

(iii) Alienation through conflict. While the economic situation in districts away from the metropolis and the Western Province show considerable disparities the situation in the North east and particularly in the areas controlled by the LTTE, is exacerbated by double and triple taxation and other forms of extortion arising from the conflict. An unstable security situation – and this is true of the districts adjacent to the conflict areas too - leads to lack of regular maintenance of infrastructure, economic stagnation, inadequate decent work opportunities, and low investor confidence.

4.2. Promotion and protection of Human Rights.

The right of people to “live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice”, values enshrined in the Millennium Declaration are clearly jeopardized at times of armed conflict. The conflict in Sri Lanka has shifting boundaries and its effects have been countrywide and pervasive. It has underlined the fact that if armed conflict is not effectively curbed and prevented, violence could become endemic, cause deepening social divisions and lower the standards of political culture.

Democratic and participatory governance based on the will of the people best assures the rights referred to above. However circumstances, in some parts of the country, have inhibited people from exercising even the basic right of voting at national, sub-national and local government levels. In addition in territory controlled by the LTTE the official court system has no reach and people face additional difficulties in accessing the official justice system (or must rely on the parallel court system established by the LTTE). It is reported that the LTTE has established its own human rights body, the Northeast Secretariat on Human Rights, although its independence from the LTTE and its capacity is unknown. .

“To provide redress expeditiously in the event of violation of fundamental rights” is a commitment of the Government.. An area of particular concern must be the violations of the Convention of the Rights of the Child through the recruitment of children (below the age of 18 years) for armed conflict by the LTTE. (see earlier discussion on child rights). The Government has made a welcome commitment to develop a comprehensive framework for victims’ rights, including appropriate schemes for redress and reparation in the case of violations.

Policing and law enforcement in the northeast have also become progressively militarized. This is partly caused by the reliance on the armed forces and semi-military forces, such as the Special Task Force (STF) of the Police to maintain security. There is a wide gulf between the police and the community they are meant to serve in the North East. It is reported that only 1.2 percent of police are Tamil and 1.5 percent Muslim. Sinhala officers seldom speak Tamil proficiently.

This problem is also caused by the security forces’ longstanding reliance on the Prevention of Terrorism Act and emergency powers, rather than the regular criminal law: The PTA was suspended under the CFA. Emergency Regulations under the Public Security Ordinance were brought into effect following the assassination of the Foreign Minister, allegedly by the LTTE in September 2005..

The creation of the new Ministry of Human Rights and revival of inter-ministerial mechanisms on human rights provides an important new mechanism for follow up and implementation of Sri Lanka’s various international human rights commitments, to address lacunae in the law, and to ensure responsiveness by the security forces and law enforcement system.

4.3. Community dialogue and participation.

The interaction of people within their local communities and where and when possible between ethnic communities can contribute to the development of an environment of trust that can lead to conflict prevention and advance a peace agenda. Leaders of the community such as the clergy of all religions have played a valuable role in this respect. The work of the pro-peace NGO’s like the Foundation for Co-existence have been commendable in this area.

Communities, particularly those affected by conflict lack the opportunity to participate in community dialogue and decision-making processes which affect their lives and well-being. Often women and children are particularly underrepresented in community dialogue, where and when it does take place. Women affected by the tsunami are also not given the right to be heard in the rebuilding process in terms of rights to their dowry property and other land entitlements. While dialogue and participation might exist within communities, there are limited platforms and mechanisms for dialogue between communities.

While women leaders were mobilized through a gender sub-committee in the earlier stages of the peace process, the potential of women as peacemakers has never been fully tapped. This in part reflects the low levels of women’s political participation more generally due to specific gender barriers. Work is needed to build the capacity of women’s organizations for advocacy, mediation and negotiation in support of the peace process. Youth also have a particular potential to be mobilized and empowered as an important constituency for peace. The 2004 UNICEF adolescent survey provides some striking data on how insecure adolescents in the Northeast feel, relative to

the rest of the country. The Action Plan review has also highlighted the vulnerability of adolescents.

The promotion of volunteerism in the community sector could be a powerful vehicle both for building the confidence and skills of young people and harnessing their energies for peace. The mobilization of volunteer effort was evident in the recovery from the Tsunami. However while some work is being done by agencies with volunteers, an enabling policy environment is lacking to support volunteer input, management, networking and overall recognition. The contribution of volunteers both international and national have increased over the years. In 2005 it was reported that 576 NGO's were involved in the country in the voluntary sector. Efforts should be made to fully utilize the voluntary sector in development and peace building activity through institutional capacity strengthening.

While there have been innumerable Track Two initiatives involving and generated by civil society, there has been a significant disconnect between these activities and the formal negotiating process. Further, pro-peace NGOs have become the object of attack by nationalist and religious groups aligned against the peace process. This has the unfortunate effect of depriving the parties to the conflict of new sources of creativity and vitality.

4.4. Delivering service in a complex political and security environment.

One of the key consequences of the CFA involves the administration of the Vanni, approximately 6,000 square kilometers of land inhabited by around 350,000 people in the Northern Province¹. An unique arrangement of overlapping and contested authority by the LTTE is exercised in this part of Sri Lanka by the Government Agents and his/her organizational apparatus. Agencies of the United Nations system have been particularly active in the area, especially after the Tsunami affected the North eastern coastline in December 2004, and have been operational in transitional activities.

The nature of the administration has resulted in serious gaps in service delivery and social protection for vulnerable groups. There is inadequate capacity of social welfare institutions and significant barriers to access, particularly for women. There is limited/differential coverage of existing social assistance/social insurance schemes¹ and inconsistent and inequitable identification of beneficiaries. The underlying causes are linked to weak design and inadequate implementation of appropriate schemes.

The general weakness of civilian governance institutions in the north and east is a product of many factors.. Administrative staff lack skills and motivation, and are often hampered by outmoded equipment and technology. There is inadequate information and disaggregated data (including for women) on which to base policy and planning decisions. It also reflects problems of staffing, particularly in hospitals and schools, as well as the general deficiency in Tamil language within the public sector. Another underlying cause is the erosion of democratic space, which has affected the functioning of local bodies and even constrained the environment for elections.

These challenges are particularly acute in those areas under effective control by the LTTE, where the state's law enforcement and judicial structures do not reach, and the vacuum has been filled by parallel non-state legal structures. Security considerations have also constrained the participation of the private sector in development. This is especially limiting since the construction sector – where there is great demand for buildings – is mostly private sector led in the rest of the country.

CHAPTER V

AREAS OF COOPERATION:

5. Introduction

From the preceding analyses, it can be concluded that Sri Lanka is well on its way to meeting several of the Millennium Development Goals (MDGs), especially in the social areas. In some of those areas, it may even exceed the MDG targets. However, Sri Lanka is also lagging behind in terms of reducing income poverty, combating child malnutrition and protecting the environment.

A key objective of Sri Lanka's medium-term development strategy is to increase its annual GDP growth to 8 percent, in order to reduce poverty. Economic growth alone is not sufficient; to reduce poverty; the pattern and equitable distribution of growth are equally important to ensure a sustained reduction of poverty. It is this inter-relationship between growth and distribution that makes human development perspectives on poverty a powerful concept to ensure that human choices and opportunities are given to all for living a tolerable life. It is in this vein that the UN System in Sri Lanka looks at its priority areas of cooperation under the Poverty cluster from both macro-economics and human development dimensions.

In the macro-economics of poverty reduction, IMF, the World Bank and the Asian Development Bank are better placed to support the specific requirements of the Government. Thus, the UN System interventions in 'Areas of Cooperation' will be limited to only those areas where a broader partnership will be beneficial towards ensuring a broad based pro-poor growth strategy.

It is also worth noting that the UN System assistance within the UNDAF could be mainly channeled through three levels of interventions;

1. Policy dialogue, advocacy and advisory services.
2. National and local capacity building and institutional development projects/ programmes as well as appropriate sector specific interventions including gender mainstreaming initiatives.
3. Direct support with food and non-food items as well as technical assistance and knowledge transfer activities for economic and social upliftment of vulnerable groups of population and deprived communities and regions.

The broad areas of cooperation will adhere to the rights-based approach and focus on the achievement of the Millennium Development Goals.

They will support broad-based and equitable growth, ensure gender equality and the non-discrimination of women, promote environmentally sustainable growth, target the poor and vulnerable populations, forge a strong participatory and people empowerment approach to decision making, and propagate human security and human rights as the fundamental imperatives towards a peaceful, democratically governed and poverty free Sri Lanka.

In doing so the UN system will undertake those interventions, where the UN System has a comparative advantage over other development partners, pursue joint programming in areas

where collaborative actions by several UN Agencies would be more beneficial and cost-effective and forge strong partnership with the broader development community

5.1 HUMANITARIAN DIMENSIONS

As a result of the tsunami and the conflict in the North East, there is a continuing need for humanitarian assistance. Short-term strategies such as the Common Humanitarian Assistance Programme (CHAP), acts as a bridge to longer term development assistance. The CCA/UNDAF could carry on the longer term development need of both tsunami and conflict affected communities for sustained poverty reduction.

5.1.1. Return, Resettlement, Reintegration and Rehabilitation of IDPS

The UN System could continue to support the national efforts in providing access to basic services such as housing, water, sanitation, health and education and provide equal opportunities for others to lead a tolerable life.

5.1.2. Disaster Risk Reduction

The UN System could support the Government in developing capacities and mobilizing resources to prepare and respond to multi-hazard scenarios to safeguard vulnerable communities.

5.2 MACRO-ECONOMIC DIMENSIONS

5.2.1 Support to a Strengthened National Planning Framework based on the MDG's

The MDGs provide the overarching goals for UN system development assistance. While the implementation of MDG based programmes is a primary responsibility of the Government with substantial external support the UN being has a major role to play in;

- advocacy and awareness creation on MDGs,
- costing and localizing MDGs,
- capacity enhancement of national and local institutions to implement MDG projects/programmes,
- monitor and track progress of MDGs.

the UN System could also consider supporting the enhancement of the national statistical capacity. Moreover the UN System could provide appropriate technical support to assist the Government in translating the MDGs in to action in the national planning and budgetary processes

5.2.2 Exploring Poverty Reduction Profiles under Alternative Sectoral Growth scenarios.

The UN System could consider helping the Government carry out appropriate sectoral studies to determine balanced poverty reduction strategies.

There is a preponderance of public sector investment in infrastructure development including power, roads, irrigation, ports and others. In order to reduce the burden on public expenditure in these areas, private sector investment (both foreign and domestic) could be more vigorously pursued. In this connection, the UN System could help the Government in creating an enabling environment for a more robust private sector development.

It may be prudent for the Government to carry out a comprehensive energy sector study. The UN System could consider supporting this area.

The UN System could assist the Government in carrying out a holistic assessment of the external sector in order to promote trade as an engine of growth and a catalyst for achieving MDGs.

5.2.3. Improved Governance

Specific interventions of the UN could include institutional capacity development, support to reform and strengthening of governance mechanisms, which would lead to increased transparency in public decision making and policy implementation, efficient delivery of public services and improved citizen participation on matters that affect people's lives.

5.2.4 Labour Market Reforms

The UN could support the government in its efforts to combat income poverty by promoting decent work and assisting with reforms in the labour market. Revisions of employment policies in high priority areas such as youth employment, labour migration and social protection could be pursued.

5.2.5. Decentralization

The UN System could help draw synergies between poverty and governance interventions to ensure that the decentralized delivery mechanism works effectively to provide access to basic services to all. This would enable Local Authorities which are governance mechanisms closest to the people to adopt participatory governance practices through stakeholder consultations specially with vulnerable groups and deprived regions.

5.3 HUMAN DEVELOPMENT DIMENSIONS

5.3.1. Health Sector

Regional disparities in access to safe drinking water, sanitation and health care are of special concern. Priority focus in this sector could be to support the Government's efforts in providing needs-based quality health care systems, both preventive and curative, water and sanitation, with equitable access to all across regions, particularly the poor and marginalized. The UN support could also focus on adolescent and reproductive health care services

5.3.2 Education Sector

The focus of the UN System could be in supporting the Government's efforts in ensuring quality and access to education, particularly in the North East, and other deprived areas, ensuring sustained attendance and reducing drop-out rates in primary education and promoting and providing access to vocational/technical schools, continuing education, retraining and skills upgrading. The UN could help in developing school curricula to promote social cohesion and ensuring a smooth transition from cognitive development to a more development oriented approach.

5.3.3. Child Malnutrition

A concerted action on the part of UN System as well as the World Bank and other interested bilateral and multilateral donor partners would be needed to seriously address the dire situation. . In partnership with the World Bank, the UN System could explore the possibilities of undertaking a deeper analysis of the causes of child malnutrition to find appropriate solutions.

5.3.4. Gender Equality

Specific interventions by the UN System could include addressing violence against women and exploitation of migrant workers, interventions to increase women in politics, decision making and in peace building and reconstruction efforts and to empower the judiciary to be more gender sensitive. Other interventions could include support to improve effectiveness of the Ministry of Women's Empowerment and assistance towards the compilation of a database of gender disaggregated statistics.

5.3.5. HIV/AIDS

Recognizing the need for a multi-sectoral response to HIV/AIDS, the UN could support a broad range of interventions for prevention, care and treatment in support of the governments' national plan with special focus on vulnerable groups.

5.3.6. Environmental Sustainability

The UN System could play a role in assisting the Government to adopt a national sustainable development strategy, encompassing a holistic approach with especial focus on natural resource management and sustainable agricultural development ensuring food security throughout the country.

5.3.7. Broad-based Rural Development

The UN System is well poised to support the Government in implementing a pro-poor growth strategy that focuses on food production emphasizing the need for the development of rural infrastructure, rural energy and agro-based rural industry. The bottlenecks to a faster growth of the rural sector such as land tenureship, fragmented land use, insufficient availability of credit and other agricultural input, lack of technical know-how, technology, marketing, storage, transportation and poor farming practices are other structural weaknesses that could be addressed.

5.3.8. Social Protection

The UN System with its global experience could assist the Government in improving the existing programmes such as the Samurdhi, explore possibilities of introducing social security benefits for the unemployed as well as setting pension funds for the elderly and the returning migrants. Of special concern to the UN would be creating a protected environment for vulnerable groups, especially children, including orphaned children, children affected by war among others as well as supporting an enabling environment for the marginalized such as persons who are differently abled.

5.3.9. Shelter

Rapid urbanization in the country will create increasing pressure on meeting the urban housing needs, especially of the poor. The UN System could support the Government in ensuring security of tenure, empowering the community on self reliance and creating an enabling environment for this target group to access capital market funds for their housing needs.

5.3.10. Employment and Livelihood Opportunities

The UN could engage in facilitating and supporting the development of an entrepreneurship culture, creating local business climates to harness the potential of the micro, small and medium enterprise sector, including upgrading of skills training both for demands in the internal labour market as well as with respect to the large numbers of labour migrants. Specific target groups could be women and youth.

The UN System could engage in creating an enabling environment to harness the potential of this sector.

END NOTES

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- ⁱ Quaterly 'Peace Confidence Index' Surveys – Centre for Policy Alternatives (CPA) Colombo
- ⁱⁱ Mahinda Chintana on peace
- ⁱⁱⁱ Sri Lanka has ratified the following international human rights treaties: (i) International Covenant on Civil and Political Rights (ii) International Covenant on Economic, Social and Cultural Rights (iii) Convention for the Elimination of Racial Discrimination (iv) Convention for the Elimination of All Forms of Discrimination Against Women (v) Convention Against Torture, (vi) Convention on the Rights of the Child, (vii) Migrant Workers Convention, (viii) Freedom of Association and the right to Collective bargaining (ILO C. 87 and 98), (ix) The Elimination of Forced and Compulsory Labour (ILO C. 29 and 105), (x) The Abolition of Child Labour (ILO C. 138 and 182) and (xi) The Elimination of discrimination in the workplace (ILO C. 100 and 111).
- ^{iv} Ministry of Finance – External Resources Department (Annual Review 2005), p.67
- ^v Estimation of the Development partners for the meeting Co-chairs of the peace process in June 2006
- ^{vi} UNICEF Sri Lanka, February 2006
- ^{vii} UNHCR figures 2006
- ^{viii} This area comprises of the northern Districts of Kilinochchi and Mullaitivu *in toto*, around half of the Districts of Vavuniya and Mannar and a small section at the neck of the Jaffna peninsula.
- ^{ix} "Post-Tsunami Operational Management Structure (P-TOMS)"
- ^x Speech by Minister of Disaster Management and Human Rights, Hon Mahinda Samarasinghe, June 2006.
- ^{xi} Labor productivity in agriculture is half that of services and industry.
- ^{xii} Human Development Report: 2005
- ^{xiii} Social assistance could make a difference in reducing vulnerability in the estate sector, but only 13 percent of households receive some form of public transfer, compared to 50 percent nationally. Source WB Study 2005
- ^{xiv} This analysis is based on multivariate regressions on household data.
- ^{xv} As indicated by the *accessibility index*, which measures at each point the sum of the population total of surrounding cities and towns, inversely weighted by the road travel time to each town.
- ^{xvi} Central Bank of Sri Lanka Annual Report, 2005
- ^{xvii} Public savings are currently negative.
- ^{xviii} According to the Investment Climate Assessment (ICA) 2005, top constraints to doing business for urban firms include reliability and cost of power, policy uncertainty, macroeconomic instability, cost of finance, and restrictive labour regulations. For rural firms, the number one constraint is transport, access to markets, and the cost of and access to finance
- ^{xix}. This happens despite 4 increases in policy interest rate and intensified mopping up operations. The deficit in 2006 is projected to rise to 9 percent of GDP on the assumption of further revenue increases, while monetary growth is projected to slow down moderately.
- ^{xx} Following the steep oil price increases since 2003, Ceylon Electricity Board's (CEB) losses skyrocketed from Rs 3.7 billion in 2003 to RS 15 billion in 2004, falling to Rs 6 billion in 2005.^{xx} Its accumulated short term debt reached almost Rs50 billion (or 2% of GDP). The independent public utility commission (PUC), set up in 2003, has not been able to regulate (and increase) electricity tariffs For more background see: CEB, Background to the Power Crisis. ADB 2005.
- ^{xxi} The Government has finally closed a deal with the Chinese government to build a coal power plant, after a delay of almost 20 years. In addition, legislation enabling the PUC to independently set tariffs and regulate the sector, establishing new independent companies owned by CEB is due to be discussed in parliament in May 2006. However, plans to increase tariffs by 12%, after an 8% increase implemented in February 2006, seem to have been shelved but even higher tariff increases are necessary. Therefore, it is not clear how CEB will be able to meet its payment obligations to Ceylon Petroleum Corporation (CPC) and independent service providers with oil prices now breaching \$70 a barrel. Earlier estimates put the subsidy costs at a maximum of Rs 40 billion per year (about 2 percent of GDP), using a \$60/barrel oil price.
- ^{xxii} Against this backdrop, there is concern that recent legislation requiring banks to allocate a specific share of their loan portfolio to agriculture and increased borrowing of state owned corporations from state-owned banks could potentially undo the progress made in reducing NPLs in the banking sector
- ^{xxiii} The interest spreads fell from a peak of 11% in the first quarter of 2003 to an average of 6% in 2005.

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- ^{xxiv} For a much more detailed account, see for example ADB (2005) Financial Sector Assessment.
- ^{xxv} ADB (2005) Financial Sector Assessment; Central Bank (2003, 2004).
- ^{xxvi} With an accumulated asset base of that of Development Finance Corporation of Ceylon (DFCC).
- ^{xxvii} Weaknesses on the management of these funds include high administration costs, weak financial discipline and substantial default rates.
- ^{xxviii} Some \$200 million for microfinance have been committed (Country Level Effectiveness & Accountability Review, (CLEAR Report 2006), Consultative Group to Assist the Poor (CGAP)
- ^{xxix} Sri Lanka has extremely high severance costs compared to other countries. Ways are being explored to support workers through other means, such as unemployment insurance.
- ^{xxx} National Plan of Action for Decent work
- ^{xxxi} Sources for the information: ADB Country Gender Assessment for Sri Lanka [2004] and a study done for the ILO by Ms Maithree Wickremasinghe and Dr. Wijaya Jayatilaka.
- ^{xxxii} Economic Growth, Employment and Poverty Reduction in Sri Lanka, UNDP Regional Centre in Colombo and ILO Geneva, 2006 (forthcoming)
- ^{xxxiii} Based on the findings of the WB Poverty Assessment, the Gini Coefficient has increased annually by 2 percent.
- ^{xxxiv} Vulnerability Assessment Report of FAO, 2006 (forthcoming).
- ^{xxxv} Economic Growth, Employment and Poverty Reduction in Sri Lanka, UNDP Regional Centre in Colombo and ILO Geneva, 2006 (forthcoming).
- ^{xxxvi} Annual Report, Central Bank, 2005.
- ^{xxxvii} Building on the ADB supported water development policy.
- ^{xxxviii} Energy and Poverty in Sri Lanka: Challenges and the Way Forward, UNDP, 2006.
- ^{xxxix} The policy was released in 2002 by the Ministry of Power and Energy and its objectives are to expand electricity access to 75% of Sri Lanka's population by 2007. However, to ensure the rest of the growing population receives electricity and other forms of energy, it will be important to consider adoption of the renewable energy policies that have been drafted for Sri Lanka. Additionally, an Energy Sector Master Plan has been earmarked for implementation and a National Energy Planning Committee has just been appointed, along with the establishment of a Renewable Energy Cell.
- ^{xl} See UNDP study, "Pro-poor Macroeconomic Policies in Sri Lanka, Regional Centre Colombo, UNDP, 2005.
- ^{xli} The inefficiency of the regulatory frameworks may be broadly associated with the fact that informal enterprises cannot sign legal contracts, have less access to services and quality of the work is typically lower. Other specific examples of regulatory inefficiency include the finding that in Anuradhapura and Polonnaruwa it takes 86 steps and an estimated 3 years to get a land title deed. This is a significant disincentive to investment, as well as a constraint on access to credit. There are other regulations that allow only larger companies to bid for larger construction works and thereby limits opportunities for smaller companies to grow. (See Local Competitive Advantage Analysis Reports, ILO/MSED Project 2006)
- ^{xlii} The HDI level is the higher of the nine South –Asia countries (0.628) and comparable to those achieved by middle-income countries (0.777). This is the result of a long and fruitful tradition of investment in human development
- ^{xliii} Weight-for-age
- ^{xliv} Height-for-age
- ^{xlv} Weight-for-height
- ^{xlvi} Demographic and Health Surveys 1993 and 2000
- ^{xlvii} Department of Census and Statistics and UNICEF 'Child Health and Welfare Survey, 2003'. (forthcoming) covering the districts of Matale, Nuwara Eliya, Hambantota, Anuradhapura, Badulla, Moneragala and Ratnapura.
- ^{xlviii} Department of Census and Statistics and UNICEF 'Child Health and Welfare Survey, 2004' (forthcoming) covering the districts of Jaffna, Vavuniya, Mannar, Trincomalee, Batticaloa and Ampara. And: Medical Research Institute and WFP 'Rapid Assessment of Nutritional Status of Children less than five years old in Mullaitivu District, 2004'.
- ^{xlix} Assessment of Anaemia Status in Sri Lanka. Medical Research Institute, 2001. Anaemia impairs physical and cognitive growth in children and negatively impacts on work productivity among adults.

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- ^{li} MDG Country Report: Sri Lanka 2005.
- ^{lii} *Provisions for South Asia's Women in Politics*, on file with the author.
- ^{liii} Shyamala Gomez, Concept Paper on *'Increasing Women's Participation in Politics'*, Inter Agency Support Unit (IASU), United Nations, 2004. The total number of candidates contesting Provincial Council elections was 30,142. Statistics compiled by the National Committee on Women (NCW).
- ^{liv} See generally Mario Gomez & Shyamala Gomez, *Preferring Women: Gender and Politics in Sri Lanka*, Canadian International Development Agency (CIDA), 2001. See also Study commissioned by the National Peace Council and conducted by Social Indicator, The Centre for Policy Alternatives, *The Representation of Women in Politics in Sri Lanka*, October 2005, (in print).
- ^{lv} *'Beyond Glass Ceilings and Brick Walls- Gender at the Workplace*, International Labour Organisation, 2006.
- ^{lvi} Penal Code (Amendment) Act No. 22 of 1995.
- ^{lvii} Prevention of Domestic Violence Act, No. 34 of 2005.
- ^{lviii} See Shyamala Gomez, *A Case Against the New Law on Domestic Violence*, The Nation, 23rd July 2006.
- ^{lix} Kandyan Marriage and Divorce Act No.44 of 1952.
- ^{lx} Jaffna Matrimonial Rights and Inheritance Ordinance No.58 of 1947, Married Women's Property Ordinance No. 18 of 1923.
- ^{lxi} Muslim Marriage and Divorce Act, No.13 of 1951.
- ^{lxii} Land Development Ordinance No.19 of 1935, See generally *'Women's Access to and Ownership of Land and Property in Batticaloa, Jaffna and the Vanni'*, Centre for Policy Alternatives, September 2005.
- ^{lxiii} Shyamala Gomez & Kumari Jayawardene, *'State's Response to Gender Equity and Women's Demands for Reform in Legal, Institutional and Public Spheres, (Work in Progress)*, Ford Foundation, Delhi.
- ^{lxiv} Gender Sensitive Guidelines (Draft), July 2006, RADA Tsunami Housing Policy, Centre on Housing Rights and Evictions (COHRE) Sri Lanka.
- ^{lxv} Ministry of Education, 2004
- ^{lxvi} Treasures of the Education System in Sri Lanka. World Bank, 2005
- ^{lxvii} Education Participation in Sri Lanka – Why All are Not in School. N. Arunatilleke, Institute of Policy Studies. Colombo, 2006
- ^{lxviii} National Assessment of Achievement of Grade 4 Pupils in Sri Lanka. NEREC, 2003
- ^{lxix} Central Bank, Annual Report, 2005
- ^{lxx} Overview of Education Budgeting and Resource Allocation Processes in Sri Lanka. N. Arunatilleke and R. de Silva, Institute of Policy Studies, Colombo, 2004
- ^{lxxi} Education Sector Development Project, Project Appraisal Document. World Bank, 2005
- ^{lxxii} Treasures of the Education System in Sri Lanka. World Bank, 2005
- ^{lxxiii} Official statistics show 11,495 children^{lxxiii} reported to be living in institutions; however, a recent study counted a total of 15,068 children in four provinces alone^{lxxiii}.
- ^{lxxiv} Child Activity Survey carried out in 1999 by the Dept. of Census and Statistics (excluding North & East)
- ^{lxxv} This includes individuals who lose the ability to earn an income, due to sickness, disablement, old age and death of the breadwinner. The income needs of expectant mothers – maternity benefits – those who become unemployed and some also include the general protection of children and young people in their sectoral delineation of social protection.
- ^{lxxvi} Cited in Sri Lanka- Strengthening Social Protection. World Bank 2006
- ^{lxxvii} Diagnostic report on Social Security situation in Sri Lanka –IPS/ILO, 2004
- ^{lxxviii} The Environmental Sustainability Index (ESI), which benchmarks the ability of nations to protect the environment over the next several decades, ranks Sri Lanka on the 79 position (out of 146 countries). Yale University, 2005 Environmental Sustainability Index (ESI)
- ^{lxxix} These include the Convention on Biological Diversity (UNCBD), UN Framework Convention on Climate Change (UNFCCC) and the UN Convention to Combat Desertification (UNCCD)
- ^{lxxx} MDG National report, p.77
- ^{lxxxi} (Integrate the principles of Sustainable Development into Country Policies and Programmes and reverse loss of environmental resources.
- ^{lxxxii} MDG National report, p.77
- ^{lxxxiii} Demographic and Health Survey, Department of Census and Statistics, 2000

^{lxxxiv} Demographic and Health Survey, Department of Census and Statistics, 2000

^{lxxxv} The National Water Supply and Drainage Board (NWSDB) estimated that in order to reach 85% of people with appropriate water and sanitation facilities by 2015 in the attempt to meet the MDGs, a capital investment of USD 1.4 billion is required. Budget allocations in 2005 were USD 120 million, in 2006 USD 230 million. Budget utilization in the first quarter of 2006 showed USD 35 million raising some concerns over actual absorption capacity in the sector.

^{lxxxvi} Household Income & Expenditure Survey (HIES), Department of Census and Statistics, GoSL. In Colombo, the urban poor has grown from approximately 273,000 persons in 1990 to 780,000 in 2000 and most of whom are based in urban slum settlements (MDG Report, National Council for Economic Development (NCED), GoSL, 2005).

^{lxxxvii} It is reported that Colombo has an estimated 65,000 slum settlements, see the MDG Report, NCED, GoSL, 2005.

^{lxxxviii} which produced a report with recommendations towards a safer Sri Lanka

^{lxxxix} The Disaster Management Centre (DMC) was gazetted under the ministry of disaster management Dec 2001 and April 2004

^{xc} Dec 1999 and Nov 2005. Sri Lanka's Constitution (1978) provides for an Executive Presidential system of government. The President Mahinda Rajapakse, assumed office in November 2005. President Rajapakse has a tenure of six years (i.e. until November 2011) which covers the greater part of the next CCA/UNDAF period

^{xcii} At the resumption of the Peace Talks in April 2006 both parties ie the GOSL and the LTTE agreed to 'respect and uphold' the CFA but subsequent events have belied this intention.

^{xciii} Soulbury Constitution

^{xciv} Ministry of Social Welfare and Women's Empowerment

^{xcv} Centre for Non-governmental Sector (CNGS)

^{xcvi} UNDP, Strong places project. This includes NGOs, CBOs.

^{xcvii} For example the work of 'Sri Lanka First'

^{xcviii} Today there are 62 Ministries

^{xcix} around 16% of cases are related with tortures and ill-treatment

^c See Box 8

^{ci} Revenue sources assigned to local government include stamp duties, vehicle registration, bicycle licensing, market square rents, waste disposal and local property taxes. However, it accounts for only 15-20% of the budget of Provincial Councils and less than half of that amount for Pradeshiya Sabhas.

^{cii} Examples of basic services include pre-schools, health clinics, wells, libraries, markets, roads, drainage systems, vocational training centers

**UNITED NATIONS
COMMON COUNTRY ASSESMENT
(CCA)
SRI LANKA**



Draft as at 22nd August, 2006

ABBREVIATIONS

| | | |
|---------|---|---|
| ANCL | - | Associated Newspapers of Ceylon Limited |
| BIMSTEC | - | Bay of Bengal Initiative for Multi Sectoral Technical Cooperation |
| CCA | - | Common Country Assessment |
| CEB | - | Ceylon Electricity Board |
| CFA | - | Cease Fire Agreement |
| CNGS | - | Center for Non Governmental Sector |
| CPC | - | Ceylon Petroleum Corporation |
| CPR | - | Contraceptive Prevalence Rate |
| DHS | - | Department of Health Survey |
| ESDFP | - | Education Sector Development Framework and Programme |
| FTA | - | Free Trade Agreement |
| GBV | - | Gender Based Violence |
| GoSL | - | Government of Sri Lanka |
| GSP | - | Generalized System of Performance |
| HR | - | Human Resources |
| HRC | - | Human Rights Commission |
| ICA | - | Investment Climate Assessment |
| IDPs | - | Internally Displaced Persons |
| IT | - | Information Technology |
| ITN | - | Independent Television Network |
| LTTE | - | Liberation Tigers of Tamil Eelam |
| MD | - | Millennium Declaration |
| MDGs | - | Millennium Development Goals |
| MDG+ | - | Millennium Development Goals Plus |
| MFA | - | Multi-Fiber Agreement |
| MTEF | - | Medium Term Expenditure Framework |
| NDS | - | National Development Strategy |
| NPA | - | National Plan of Action |
| NPL | - | Non Performing Loans |
| OECD | - | Organisation for Co-operation and Development |
| PA | - | People's Alliance |
| PTA | - | Prevention of Terrorism Act |
| P-TOMS | - | Post Tsunami Operating Management Structure |
| RADA | - | Reconstruction and Development Agency |
| RMG | - | Ready Made Garments |
| SAFTA | - | South Asia Free Trade Agreement |
| SLBFE | - | Sri Lanka Bureau for Foreign Employment |
| SLIDA | - | Sri Lanka Institute of Development Administration |
| SLMM | - | Sri Lanka Monitoring Mission |
| SLREP | - | Sri Lanka Rural Electrification Policy |
| SMEs | - | Small and Medium Enterprise |
| TRIAMS | - | Tsunami Recovery Impact Assessment and Monitoring System |
| UNDAF | - | UN Development Assistance Framework |
| UPFA | - | United People's Freedom Alliance |
| VAT | - | Value Added Tax |
| WP | - | Western Province |

ANNEXURES

Annexure 1

List of Indicators

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CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|--|---|----------------|----------------|---------|---------|---------|-------------------------|-------------------|---|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| Demographic | Total population / millions | 16.3 | 18.4 | 19 | 19.3* | 19.5* | 19.7 | RGO/ SA | * Provisional |
| | Male | 8.2 | 9.2 | 9.4 | 9.5 | 9.6 | | RGO/ SA | Census of Population and Housing |
| | Female | 8.1 | 9.3 | 9.6 | 9.7 | 9.8 | | RGO/ SA | |
| | Urban | 3.2 (1981) | 2.5 (2001) | | | | | DCS | |
| | Rural | 11.6 (1981) | 14.4 (2001) | | | | | DCS | |
| | Pop. Growth Rate (%) | 1.4 | 1.3 | 1.2* | 1.3 | 1.1* | | RGO | CPH2001 was carried out completely in 18 districts excluding N&E except Ampara Dist |
| | CBR / 1000 popn. | 19.9 | 17.6 | 19.1* | 18.9 | 18.5* | 18.1 | RGO | |
| | CDR / 1000 popn. | 6.0 | 6.1 | 5.8* | 5.9 | 5.8* | 6.5 | RGO | |
| | TFR /Births per woman | 2.5 | 1.9 | na | na | na | na | RGO | |
| Popn. Density / Sq.km. | 259 | 295 | 303 | 307 | 310 | 314 | RGO/ # CB Annual Report | | |
| Population Composition | (0-4)yrs | | | | | | | | |
| | Young (0-14) yrs (%) | 35.2 | 35.2 | 24.73 | 26.6 | 26.6 | 26.6 | RGO/CB Reports | |
| | Working (15-64) yrs (%) | 60.5 | 60.5 | 65.5 | 67 | 6.7 | 67 | RGO | |
| | Old ages (65+) yrs (%) | 4.3 | 4.3 | 9.8 | 6.4 | 6.4 | 6.4 | RGO | |
| | Dependency ratio (%w.pop) | 65.3 | 65.3 | 52.8 | 49.3 | 49.4 | 49.4 | RGO CB Reports | |
| Sex ratio (Ms.per1000Fm.) | 1045 | 1054 | 1044 | 1047* | 1042* | | RGO | | |
| Macro Economics | Gross Domestic Product at current market prices | 322.0 | 1,258.0 | 1,583.0 | 1,761.0 | 2,029.0 | 2,366.0 | CB annual Reports | |
| | Sectoral composition of GDP | | | | | | | | |
| | Agriculture (% GDP) | 26.3 | 19.9 | 20.5 | 19.0 | 17.9 | 17.2 | CB annual Reports | |
| | Industry (% GDP) | 26.0 | 27.3 | 26.3 | 26.4 | 26.4 | 27.0 | CB annual Reports | |
| | Services (% GDP) | 47.7 | 52.8 | 53.2 | 54.6 | 55.6 | 55.8 | CB annual Reports | |
| | Gross Domestic Product per capita (US\$) | 473 | 899 | 870 | 948 | 1030 | 1197 | CB annual Reports | |
| Gross Domestic Product growth rate (%) | 6.2 | 6.0 | 4.0 | 6 | 5.4 | 6 | CB annual Reports | | |
| Prices | Annual average price changes | | | | | | | | |
| | Consumer Price Index (%) | 21.5 | 6.2 | 9.6 | 6.3 | 7.6 | 11.6 | NA/DCS | 1st series : 1990 =100 2nd series :1998 = 100 |
| | Wholesale Price Index (%) | 22.2 | 1.7 | 10.7 | 5.1 | 12.5 | 11.5 | NA/DCS | |
| | GDP deflator % | 20 | 12.4 | 8.4 | 5 | 9.3 | 9.9 | NA/DCS | |
| | | | | | | | | | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|-----------------------|--|------------|-------|-------|------|-------|-------|------------------------------|---------|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| Trade | Total Exports (Million \$) | 1984 | 5522 | 4699 | 5133 | 5757 | 6351 | SL Cstm. Dept\ CBARs | |
| | Total Imports (Million \$) | 2686 | 7320 | 6106 | 6672 | 8000 | 8869 | SL Cstm. Dept\ CBARs | |
| | Trade Deficit (Million \$) | 100 | 111.3 | 136.1 | 143 | 155.5 | 171.3 | SL Cstm. Dept\ CBARs | |
| Export Composition | Agricultural exports (% of total) | 36.3 | 18.2 | 20 | 19 | 18.5 | 18.2 | SL Cstm. Dept\ CBARs | |
| | Industrial (% of total exports) | 52.2 | 77.5 | 77.3 | 77 | 78.3 | 78 | SL Cstm. Dept\ CBARs | |
| | Mineral (% of total exports) | 4.4 | 1.8 | 1.9 | 2 | 2.1 | 2.3 | SL Cstm. Dept\ CBARs | |
| | Other | 7.1 | 2.5 | 0.9 | 2 | 1.1 | 1.6 | SL Cstm. Dept\ CBARs | |
| Import Composition | Consumer goods (% of tot Impo) | 26.4 | 19 | 21.6 | 22 | 20.3 | 18.5 | SL Cstm. Dept\ CBARs | |
| | Intermediate goods (% of total) | 51.8 | 51.8 | 57.2 | 57 | 58.1 | 60 | SL Cstm. Dept\ CBARs | |
| | Investment goods (% of total) | 21.7 | 23.7 | 19.2 | 20 | 20.9 | 21.1 | SL Cstm. Dept\ CBARs | |
| Savings & Investments | National Savings(% of GDP) | 16.8 | 21.5 | 19.5 | 21.6 | 21.6 | 23.3 | CBARs | |
| | Domestic Savings (% of GDP) | 14.3 | 17.4 | 14.5 | 15.9 | 15.9 | 17.2 | CBARs | |
| | External savings | 2.4 | 4.5 | 5.1 | 5.7 | 5.7 | 6.1 | CBARs | |
| Source of Investments | Investments (% of GDP) | 22.2 | 28 | 21.3 | 22.1 | 25 | 26.5 | CBARs | |
| | Government (% of GDP) | 4.2 | 3.3 | 2 | 2.8 | 2.2 | 4.2 | CBARs | |
| | Private (% of GDP) | 19 | 17.1 | 19.3 | 19.8 | 22.7 | 22.3 | CBARs | |
| Fiscal Policy | Revenue (% of GDP) | 21.1 | 16.8 | 16.5 | 15.7 | 15.4 | 16.1 | Miny. of Fin. & Plan / CBARs | |
| | Tax Revenue(% of GDP) | 19 | 14.5 | 14 | 13.2 | 13.9 | 14.2 | Miny. of Fin. & Plan / CBARs | |
| | Non Tax Revenue(% of GDP) | 2.1 | 2.3 | 2.5 | 2.5 | 1.5 | 1.8 | Miny. of Fin. & Plan / CBARs | |
| | Expenditure | 31 | 26.7 | 25.4 | 23.7 | 23.5 | 24.7 | Miny. of Fin. & Plan / CBARs | |
| | Expenditure Composition (% of GDP) | | | | | | | | |
| | Current Expenditure | 22.3 | 20.2 | 20.9 | 19 | 19.2 | 18.7 | Miny. of Fin. & Plan / CBARs | |
| | Capital Expenditure | 8.3 | 6.4 | 4.6 | 5 | 4.8 | 6.3 | Miny. of Fin. & Plan / CBARs | |
| | Public Consumption Exp. | 9.4 | 10.5 | 8.8 | 7.9 | 8.1 | 8.2 | Miny. of Fin. & Plan / CBARs | |
| | Public Health Expenditure (% of GDP) | 1.5 | 1.6 | 1.6 | 1.6 | 1.7 | 1.9 | Miny. of Fin. & Plan / CBARs | |
| | Current | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | Miny. of Fin. & Plan / CBARs | |
| | Capital | 0.4 | 0.4 | 0.3 | 0.3 | 0.4 | 0.5 | Miny. of Fin. & Plan / CBARs | |
| | Public Education Expenditure (%of GDP) | 2.6 | 2.5 | 2.3 | 2.2 | 2.1 | 2.7 | Miny. of Fin. & Plan / CBARs | |
| | Current | 2.6 | 1.9 | 2 | 1.8 | 1.7 | 2.2 | Miny. of Fin. & Plan / CBARs | |
| | Capital | 0.3 | 0.6 | 0.4 | 0.4 | 0.4 | 0.5 | Miny. of Fin. & Plan / CBARs | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|---|---|-------------------|-------------------|-------|-------|-------|-------|--|---|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| | Social Protection(% of GDP) | | | | | | | | |
| | Current Transfers & subsidies | 6.5 | 4.2 | 4.7 | 4 | 5.2 | 5.4 | Miny. of Fin. & Plan / CBARs | |
| | To households & other sectors | 4.7 | 3.3 | 3.4 | 3 | 4.1 | 4.3 | Miny. of Fin. & Plan / CBARs | |
| | Defense Expenditure (% of GDP) | 2.1 | 5.6 | 4 | 3.5 | 3.6 | 3.4 | Miny. of Fin. & Plan / CBARs | ^ Estimated |
| | Debt Services | | | | | | | | |
| | Govt. Debt as % of GDP | 96.6 | 96.9 | 105.4 | 105.8 | 105.5 | 93.9 | Miny. of Fin. & Plan / CBARs | * Provisional |
| | Foreign | 54.9 | 43.1 | 45.6 | 47.9 | 49.1 | 40.4 | Miny. of Fin. & Plan / CBARs | |
| | Domestic | 41.6 | 53.8 | 59.8 | 57.9 | 56.4 | 53.5 | Miny. of Fin. & Plan / CBARs | |
| | External Debt (% of GDP) | 72 | 54.5 | 56.3 | 58.9 | 56.6 | 48.3 | CBARs | |
| | Debt service as % of fiscal revenue | 26.4 | 83.2 | 108.6 | 124.6 | 96.5 | 90.8 | CBARs | GE=Government Expenditure GNP=Gross National Product SS=Social service expenditure E= Education, H= Health |
| | Human Expenditure Ratio | | 0.028 | 0.033 | 0.031 | 0.032 | 0.036 | Computed- (GE/GNP)*(SS/GE)*(E+H)/SS | |
| Poverty, Inequality & Hunger | | | | | | | | | |
| MDG | Head count poverty Ratio - National Poverty Line** (%) | 26.1 (1990/91) | 28.8 (1995/96) | 22.7 | | | | HIES/SMDG | |
| | Male *** | 26 | 29 | 23 | | | | HIES | ** Excluding Northern & Eastern Provs. *** Sex of head of the household |
| | Female *** | 26.6 | 27.5 | 21.5 | | | | HIES | |
| | Urban | 16.3 | 14 | 7.9 | | | | HIES | |
| | Rural | 29.4 | 30.9 | 24.7 | | | | HIES | |
| | Estate | 20.5 | 38.4 | 30 | | | | HIES | |
| MDG | Poverty Gap Ratio - NPL (%) | 5.6 (1990/91) | 6.6 (1995/96) | 5.1 | | | | HIES | |
| | Male *** | 5.5 | | 5.1 | | | | HIES/SMDG | |
| | Female *** | 6 | | 4.8 | | | | HIES/SMDG | |
| | Urban | 3.7 | 2.9 | 1.7 | | | | HIES | |
| | Rural | 6.3 | 7.2 | 5.6 | | | | HIES | |
| | Estate | 3.3 | 7.9 | 6 | | | | HIES | |
| | Gini Index (%) | 0.47 | 0.43 (1998) | 0.47 | 0.46 | 0.46 | | HIES / CBARs | |
| MDG | Percentage of poor households) based on NPL | 21.8 (1990/91) | 24.3 (1995/96) | 19.2 | | | | HIES / MDGR | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|---------------------------|--|-------------------|-------------------|------|------|------|-------------------|----------------------------|--|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| MDG | Share of poorest quintile in national consumption | 8.9 | | 7.0 | | | | HIES / SMDG | |
| | Male *** | 8.8 (1990/91) | | 7.2 | | | | HIES / SMDG | *** Sex of head of the household |
| | Female*** | 9.3 (1990/91) | | 6.2 | | | | HIES / SMDG | *** Sex of head of the household |
| MDG | Proportion of population below minimum level of dietary energy consumption | 50.9 (1990/91) | | 51.3 | | | | HIES / SMDG HIES / SMDG | |
| | Male *** | 50.8 | | 51.1 | | | | HIES / SMDG | |
| | Female *** | 51.8 | | 52.2 | | | | HIES / SMDG | |
| | ratio % | | 1.63 (1996/97) | 1.8 | | | | CFSES - CB / HIES | |
| | Urban | | 1.68 | 1.87 | | | | CFSES - CB / HIES | |
| | Rural | | 1.60 | 1.78 | | | | CFSES - CB / HIES | |
| Estate | | 1.32 | 1.44 | | | | CFSES - CB / HIES | | |
| Employment | Labour Force (Millions) | 6.0 | 6.8 | 7.1 | 7.6 | 8.1 | 8.1 | LFS | LFS -1990- 2002 Excluding Northern & Eastern Provinces |
| | Male | 3.9 | 4.5 | 4.7 | 5.1 | 5.4 | 5.4 | LFS | |
| | Female | 2.1 | 2.3 | 2.4 | 2.5 | 2.7 | 2.7 | LFS | |
| In tsunami affected areas | Labour Force(millions) | | | | | | 0.28 | QLFS- 2005 | QLFS was conducted as a one off survey in August 2005 |
| | Male | | | | | | 0.21 | QLFS- 2005 | |
| | Female | | | | | | 0.075 | QLFS- 2005 | |
| Non tsunami areas | Labour Force (Millions) | | | | | | 7.86 | QLFS- 2005 | LFS2002- Excluding Northern & Eastern Provinces |
| | Male | | | | | | 5.2 | QLFS- 2005 | |
| | Female | | | | | | 2.6 | QLFS- 2005 | |
| | LF Participation Rate (%) | 51.9 | 50.3 | 50.3 | 48.9 | 48.6 | 48.3 | LFS | LFS 2003- Excluding Northern Province LFS 2004- Excluding Mullativu & Kilinochchi Districts |
| | Male | 67.6 | 67.2 | 67.9 | 67.2 | 66.7 | 67.1 | LFS | |
| | Female | 37.0 | 33.9 | 33.6 | 31.4 | 31.5 | 30.9 | LFS | |
| In tsunami affected areas | LF Participation Rate (%) | | | | | | 43 | QLFS- 2005 | |
| | Male | | | | | | 66.2 | QLFS- 2005 | |
| | Female | | | | | | 21.8 | QLFS- 2005 | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|-----------------------------|--|---------------|-----------------|----------------|--------|--------|-------|-----------------|---|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| In non tsunami areas | LF Participation Rate (%) | | | | | | 48.5 | QLFS- 2005 | |
| | Male | | | | | | 67.1 | QLFS- 2005 | |
| | Female | | | | | | 31.2 | QLFS- 2005 | |
| | Employment Rate (% of Labour Force) | 84.1 | 92.4 | 91.2 | 91.6 | 91.7 | 92.3 | LFS | QLFS-was conducted as a one off survey in August 2005 |
| | Male | 88.2 | 94.2 | 93.4 | 94.0 | 94 | 94.5 | LFS | |
| | Female | 76.6 | 89 | 87.1 | 86.8 | 87.2 | 88.1 | LFS | |
| In tsunami affected areas | Employment Rate (%of LF) | | | | | | 88.2 | QLFS- 2005 | |
| | Male | | | | | | 91.5 | QLFS- 2005 | |
| | Female | | | | | | 78.8 | QLFS- 2005 | |
| In non tsunami areas | Employment Rate (%of LF) | | | | | | 92.5 | QLFS- 2005 | |
| | Male | | | | | | 94.6 | QLFS- 2005 | |
| | Female | | | | | | 88.4 | QLFS- 2005 | |
| | Employment by Economic Activity | | | | | | | | |
| | Agri,Forestry & Fishery (% of Total Employe | 47.0 | 36.0 | 34.4 | 34.0 | 33.4 | 30.7 | LFS | |
| Industry (% total employed) | 19.3 | 23.6 | 22.4 | 23.0 | 24.1 | 24.5 | LFS | | |
| Services (% total employed) | 33.8 | 40.3 | 43.1 | 43.0 | 42.4 | 44.8 | LFS | | |
| | Labour productivity (total) | 135.8 | 135.3 | 131.5 | 132.6 | 134 | 138.3 | NA,DCS/CB | |
| | Agriculture / Rs.'000 per person | 77.1 | 83.3 | 73.6 | 74 | 70.8 | 77.4 | NA,DCS/CB | |
| | Industry | 158.5 | 155.2 | 168.4 | 161.2 | 161.3 | 152.2 | NA,DCS/CB | |
| | Services | 175 (2000) | 163.4 (2001) | 160.8 | 163.7 | 169.1 | 172.4 | NA,DCS/CB | |
| | Average wage rate (daily) in Rs. | | | | | | | | |
| | Agriculture | 39.21 | 96.14 | 107.69 | 114.60 | 119.53 | | Dept.of Labour | |
| | Manufacturing | 41.76 | 93.42 | 111.04 | 114.52 | 123.72 | | Dept.of Labour | |
| | Construction | 45.00 | 99.00 | 155.00 | 155.00 | 155.00 | | Dept.of Labour | |
| | Share of women in wage employment in the non-agricultural sector | 29.00 | | 32.8 (2001) | | | | LFS / CPH /SMDG | |
| | Urban | | | 33.7 | | | | | |
| | Rural | | | 32.6 | | | | | |
| | Estate | | | 30.5 | | | | | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|----------------------------------|--|----------------|--------|--------|--------|--------|-------|----------------|---------|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| | Average earnings (daily) in Rs. | | | | | | | | |
| | Agriculture | 49.25 | 104.12 | 128.72 | 138.43 | 152.94 | | Dept.of Labour | |
| | Manufacturing | 82.10 | 221.11 | 273.10 | 306.28 | 310.84 | | Dept.of Labour | |
| | Construction | 81.92 | 285.99 | 259.63 | 276.42 | 335.70 | | Dept.of Labour | |
| | Index of Minimum wages (base 1978 = 100) | | | | | | | | |
| | Agriculture | 517.2 | 1142.7 | 1269.6 | 1382.3 | 1397.7 | | Dept.of Labour | |
| | Industry & Commerce | 379.5 | 857.2 | 986.5 | 1009.4 | 1044.1 | | Dept.of Labour | |
| | Services | 267.8 | 559.7 | 678.0 | 678.0 | 751.0 | | Dept.of Labour | |
| | All Combined | 453.4 | 1000.4 | 1126.5 | 1205.3 | 1233.1 | | Dept.of Labour | |
| | Unemployment Rate (% of LF) | | | | | | | | |
| | All Island | 15.9 | 7.6 | 8.8 | 8.4 | 8.3 | 7.7 | LFS/CB | |
| | Male | 11.8 | 5.8 | 6.6 | 6.0 | 6.0 | 5.5 | LFS | |
| | Female | 23.4 | 11.1 | 12.9 | 13.2 | 13.2 | 11.9 | LFS/SPB | |
| In tsunami affected areas | Unemployment Rate (%of LF) | | | | | | 11.8 | QLFS- 2005 | |
| | Male | | | | | | 8.5 | QLFS- 2005 | |
| | Female | | | | | | 21.2 | QLFS- 2005 | |
| In non tsunami areas | Unemployment Rate (%of LF) | | | | | | 7.5 | QLFS- 2005 | |
| | Male | | | | | | 5.4 | QLFS- 2005 | |
| | Female | | | | | | 11.6 | QLFS- 2005 | |
| MDG | Unemployment rate(%of LF)of youths aged | | | | | | | | |
| | 15-19 yrs | | 23.4 | 30.1 | 30.3 | 28.3 | 30.8 | LFS/CBR | |
| | 20-29 yrs | | 17.4 | 20.1 | 19.4 | 19.2 | 17.2 | | |
| | 30-39yrs | | 3.6 | 4 | 3.9 | 4 | 3.8 | | |
| | Unemployment among persons GCE(AVL) qualified & above(%of total Unemp) | 15.4 | 14.9 | 16.8 | 16.5 | 16.8 | 13.8 | LFS | |
| Migrant Workers | Migration for employment(No'000) | 163 (1996) | 182 | 204 | 210 | 213 | 231 | SLBF Emp. | |
| | Male(%) | 26.7 | 32.9 | 34.7 | 35.5 | 37.5 | 41.0 | SLBF Emp. | |
| | Female(%) | 73.3 (1996) | 67.1 | 65.4 | 64.5 | 62.5 | 59.0 | SLBF Emp. | |
| | Manpower(%of total) | | | | | | | | |
| | Housemaids | 68 | 55.0 | 53.0 | 49.0 | 52.0 | 54.0 | SLBF Emp. | |
| | Skilled | 15 | 20.0 | 22.0 | 23.0 | 21.0 | 20.0 | | |
| | Unskilled | 13 (1995) | 19.0 | 18.0 | 21.0 | 20.0 | 18.0 | | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|--|--|------------------|-----------|--------|--------|--------|--------|--|---|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| | Worker remittances(US\$million) | 832 | 1160.0 | 1287.0 | 1414.0 | 1564.0 | 1918.0 | CBARs | |
| Agricultural Production | Growth in Agriculture Volume Index | (1996) 8.8 | 2.2 | 2 | 1.8 | -0.5 | 1.2 | NA-DCS | Base = 1977-1978 |
| | Paddy | 138.8 | 156.4 | 156.4 | 168 | 143.71 | | Agri. DCS | |
| | Highland Crops | 174.4 | 100 | 93.2 | 91.7 | 88.59 | | Agri. DCS | |
| | Live Stock & Its products | 137.3 | 104.4 | 101.9 | 101.5 | 102.67 | | Agri. DCS | |
| | Agriculture production Index | | | | | | | | |
| | Agri. & fishing | | | 103.3 | 104.9 | 102.7 | 103.7 | CBARs | (1997-2000 = 100) |
| | Agricultural crops | | | 100.4 | 103.5 | 100.4 | 108.7 | CBARs | |
| | Livestock | | | 117.1 | 117.7 | 121 | 122.8 | CBARs | |
| | Fishing | | | 110.9 | 104.3 | 104.9 | 59.8 | CBARs | |
| | Intensity of cropping paddy(%) | 117.36 | 118.8 | 114.94 | 142.12 | 110.92 | 135.01 | Agri. DCS | Crop Intensity= $\frac{\text{Total sewn area}(M+Y)}{\text{Asweddumized area}} \times 100$ |
| | Average yield in paddy production (Kgs. per ha) | 3452 | 3857 | 3893 | 3761 | 4087 | | Agri./DCS | M = Maha season, Y = Yala season |
| | Homegardens(below 40 perches) Extent in acres | | | 189 | | | | C of Agri.2002 DCS | |
| | Fish Production (Mt. tons in 1000s) | 195 | 304 | 303 | 285 | 286 | | Agri. DCS | |
| | Per capita nutritional intake per day | | | | | | | | |
| | Energy(kcal) | 2292 | 2095.6 | 2363.4 | 2358.6 | | | HIES | |
| Proteins (g) | 54.3 | 54.5 | 59.3 | 59.4 | | | HIES | | |
| Fats (g) | 51.1 | 38.2 | 43.2 | 43 | | | HIES | | |
| Food Ratio (Percentage of food expenditure to income) | 61 | 54.4 | 44.5 | | | | HIES | | |
| | | (1990/91) | (1995/96) | | | | HIES | | |
| Transport | Buses - repeated Kms (millions) | 347 | 387 | 395 | 336 | 296 | 257 | } SLCTB / CB R Dev. Authority Dept. of Rail. Dept. of Motor Traffic | |
| | Total road network - A&B roads only (Km) | (1996) 10,447 | 11,487 | 12,009 | 12009 | 12018 | | | |
| | Railways (Km) | 1,457 | 1,463 | 1,449 | 1449 | | | | |
| | Vehicle Popn. (Mill.vehs.per Km) | 0.82 | 1.7 | 1.9 | 2.1 | 2.3 | | | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks | |
|-------------------------------------|---|--|-------------------|---------------------|------|------|-------|--|--|------------------------------------|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | | |
| Human Development Health | Life Expectancy at birth (yrs) | | | 73.0 (1996/2001) | | | | DCS | ^population projections (1991-2031) | |
| | Male | 69.5 (1991/96)^ | 71.7 | 70.7 | | | 72 | DCS / CBReport2004 | | |
| | Female | 74.2 | 76.4 | 75.4 (1996/2001) | | | 77 | ESCAP pop data sheet2005 | | |
| | MDG | Child Mortality Rate (<5yrs) per 1000 live births | 22.2 (1991) | 20.8 | 13.5 | | | | | RGO/DHS/SMDG |
| | | Male | 24.3 | 24.3 | 14.9 | | | | | DHS |
| | | Female | 20 | 17.3 | 12 | | | | | DHS |
| | MDG | Infant Mortality Rate/ 1000 live births | 17.7 (1991) | 13.3 | 11.2 | 11.2 | na | na | | RGO/ SMDG |
| | | Male | 19.9 | | 12.9 | | | | | RGO/ SMDG |
| | | Female | 15.4 | | 10.2 | | | | | RGO/ SMDG |
| | MDG | Maternal Mortality Rate (per100,000 live births) | 42.3^ (1991) | 55.6 | 53 | 43 | na | na | | FHB, Miny. of Health ^ RGO/SMDG |
| | | Neonatal Mortality Rate | 12.8 (1997) | 13.9 | | | | | | RGO/ DHS |
| | | Male | | 17.1 | | | | | | DHS |
| | | Female | | 10.6 | | | | | | DHS |
| | | Urban | | 9.1 | | | | | | DHS |
| | Rural | | 13.5 | | | | | DHS | | |
| | Estate | | 31.0 ³ | | | | | DHS | | |
| | Births attended by skilled personnel (%) | 94.1 (1993) | 96 | | | | | DHS / SMDG | | |
| MDG | Cumulative HIV cases at the end of 4th Qrt. (No.) | | | | | 614 | 743 | National STD / AIDS Control Program | | |
| | Male | | | | | 363 | 432 | | | |
| | Female | | | | | 251 | 311 | | | |
| | Cumulative AIDS cases at the end of 4th Qrt. (No.) | | | | | 179 | 207 | | | |
| | Male | | | | | 130 | 146 | | | |
| | Female | | | | | 49 | 61 | | | |
| | Reported AIDS deaths (No) | | | | | 2 | 4 | | | |

3 - Based on fewer than 500 cases

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|---------------------|--|-----------------|---------------|---------------|-------|------|-------|---------------------------------------|----------------------------------|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| MDG | Contraceptive prevalence rate (%) | 66.1 (1993) | 70.0 | | | | | DHS / SMDG | |
| MDG | Percentage currently using Condoms | 3.3 (1993) | | | | | | DHS | |
| | Traditional methods | 22.4 (1993) | 20.5 | | | | | DHS | |
| | Modern methods | 43.7 (1993) | 50 | | | | | DHS | |
| MDG | Incidence of Malaria (in 1000) | 281 | 210 | 41 | 11 | 4 | 2 | Malaria Campaign | |
| | Deaths associated with Malaria (Nos) | 14 | 115 (1998) | 30 | 4 | 1 | 0 | Malaria Campaign | |
| MDG | Incidence of TB (per 100,000 Popn.) | 39.1 | 42.9 | 42.3 | 48.3 | 44.6 | 47.9 | TB CampaignAnnual Reports | |
| | Deaths rate per 100,000 Popn.) associated w | 2.4 | 1.8 (1994) | 1.9 (2001) | 2.1 | 2.2 | 2.3 | TB CampaignAnnual Reports | |
| | Proportion of TB cases detected and cured - DOTS (%) | NA | 79.9 | 79.2 | 79.3 | 83.6 | na | TB CampaignAnnual Reports | DOTS implemented in 1997 |
| | Financial assistance for TB patients per capita (Rs.) | | 4194 | 2861 | 1933 | 1839 | na | TB CampaignAnnual Reports | |
| Immunization | Immunization (%) | | | | | | | Epid. Unit - Miny. of Health/# DHS | Discrepancies in data collection |
| | BCG | | 101.0 | 96.6 | 99.0 | 99.0 | | | |
| | DPT3 | 85.9 | 103.0 | 96.0 | 100.0 | 97.0 | | | |
| | OPV3 | 86.2 | 103.0 | 98.0 | 99.8 | 97.0 | | | |
| | Measles (Proportion of 1 yr Children) | 95.5# (1993) | 94.2# | 99.0 | 100.0 | 96.0 | | | |
| | Pregnant mothers protected (TT +) 2 | 67.3 | 100.4 | 92.6 | 93.3 | 87.9 | | | |
| | Physicians per 100,000 popn. | 15.5* | 41.1 | 48.9 | | | | | |
| | Nurses per 100,000 popn. | 57.1* | 76.0 | 86.9 | | | | Med. Stat.Bulletines | |
| | P.H. Midwives | 21.2* | 24.8 | 25.4 | | | | Med. Stat.Bulletines | |
| | Hospitals No. | 422 | 558 | 576 | | | | Med. Stat.Bulletines | |
| | Patient beds per 1000 population | 3 | 3 | 3 | | | | Med. Stat.Bulletines | |

CCA Indicators on Poverty

| Goal area | | Indicator | Data Trend | | | | | Source | Remarks | |
|---------------|-----|--|-------------------|-------------------|-------------------|---------|------|-----------------|--------------------|-------|
| | | | 1990 | 2000 | 2002 | 2003 | 2004 | | | 2005* |
| Education | MDG | Net Enrollment Ratio (% of age 6-10yrs.) | 95.7 (1996) | 95.7 | 96.3 | | | | LFS/SMDG | |
| | | Male | 95.6 | | 97.1 | | | | LFS | |
| | | Female | 95.7 | | 95.6 | | | | LFS | |
| | MDG | Proportion of Pupils in grade 1 who reach grade 5 | 68.1 | | 95.6 | | | | Annual school | |
| | | Male | 64.1 | | 94.7 | | | | Census-Miny.of Ed | |
| | | Female | 72.6 | | 96.5 | | | | SMDG | |
| | | Completion Rate Primary | | | 97.6 (2001) | | | | Miny. of Ed / MDGR | |
| | | Male | | | 96.9 (2001) | | | | Miny. of Ed / MDGR | |
| | | Female | | | 98.3 (2001) | | | | Miny. of Ed / MDGR | |
| | MDG | Secondary | | | 83 (2001) | | | | Miny. of Ed / MDGR | |
| | | Male | | | 79.1 (2001) | | | | Miny. of Ed / MDGR | |
| | | Female | | | 86.3 (2001) | | | | Miny. of Ed / MDGR | |
| | | Ratio of Girls to Boys in Primary Education(6-10 yrs) | 94.2 (1996) | | 94.6 | | | | LFS/ SMDG | |
| | | Junior Secondary Education (11-14 yrs) | 91.2 | | 94.8 | | | | LFS/ SMDG | |
| | | Senior Secondary Education (15-19yrs) | 107.7 | | 101.8 | | | | LFS/ SMDG | |
| | MDG | Tertiary Education (20-24yrs) | 75.4 | | 113.8 | | | | LFS/ SMDG | |
| | | University Admissions Male | 3780 (1990/91) | | 5615 (2001/02) | | | | UGC/Miny. of Ed | |
| Female | | 3458 (1990/91) | | 6529 (2001/02) | | | | UGC/Miny. of Ed | | |
| Schools (No.) | | 9,864 | 10,615 | 10,508 | 10,473 | 10,458* | | Miny. of Ed | | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks |
|----------------------|--|------------|-------|-----------------|-------|-------------------|-------|----------------------------------|---------|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | |
| | National Schools(No.) | 270 | 317 | 323 | 323 | 324 | 324 | Statistics Unit Miny.of Ed | |
| | Other Government Schools (No.) (1998) | 10313 | 10338 | 9829 | 9790 | 9765 | 9403 | | |
| | Pupil teacher Ratio in Govt. schools (1998) | 22 | 23 | 22 | 21 | 21 | 21 | | |
| | Proportion of primary children achieving mastery of 1st language (Sinhala / Tamil) | | | | | | | SL Dev. Policy Review WB 2004 | |
| | Total | | | | 37 | | | | |
| | Urban | | | | 51 | | | | |
| | Rural | | | | 34 | | | | |
| | English Language | | | | | | | SL Dev. Policy Review WB 2004 | |
| | Total | | | | 10 | | | | |
| | Urban | | | | 23 | | | | |
| | Rural | | | | 7 | | | | |
| | Numeracy skills | | | | | | | SL Dev. Policy Review WB 2004 | |
| | Total | | | | 38 | | | | |
| | Urban | | | | 52 | | | | |
| | Rural | | | | 35 | | | | |
| MDG | Literacy rate (%) - 15-24 yrs | 92.7 | | 95.6 (2001) | 95.6 | | | CPH / MDGR/HDRreort2005 | |
| | Male | | | 95.1 | | | | | |
| | Female | | | 96 | | | | | |
| MDG | Ratio of literate women to men 15-24 yrs old | 100.0 | | 100.9 (2001) | | | | CPH / MDGR | |
| | Adult literacy rate (%) | 88.7 | | 90.7 (2001) | 90.4 | 92.5 (2003/04) | | CPH/CBreport 2004 | |
| State Welfare | Human Dev. Index (HDI) | 0.705 | 0.741 | 0.740 | 0.751 | 0.741 | 0.74 | H Devt. Report1998/CB | |
| | State Welfare Assistance Samurdhi assistance per family | | 4937 | 5264 | 4,588 | 4,609 | 4714 | Dept.of Poor Relief | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks | |
|--|---------------------------------|---|------|----------------|----------------|--------|--------------------|--------------------------------------|----------------|--|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | | |
| Prevalence of malnutrition <5yrs(3-59mths) MDG | Ht. for age(stunted) (%) | 23.8 (1993) | 13.5 | | | | | DHS | | |
| | Male (% of boys) | 22.7 | 11.9 | | | | | | | |
| | Female (% of girls) | 25.1 | 15.3 | | | | | | | |
| | Wt. for Ht.(wasted) (%) | 15.5 (1993) | 14.0 | | | | | DHS | | |
| | Male (% of boys) | 15.6 | 15.1 | | | | | | | |
| | Female (% of girls) | 15.4 | 12.6 | | | | | | | |
| | WT. for age(underwt.) (%) | 37.7 (1993) | 29.4 | | | | | DHS/ SMDG | | |
| | Male (% of boys) | 34.8 | 29 | | | | | DHS/ SMDG | | |
| | Female (% of girls) | 40.9 | 29.8 | | | | | DHS/ SMDG | | |
| Percent of Low Birth Wt (per 1000 live births) | 18.7 (1993) | 16.7 | 17.1 | | | | DHS/Med Statistics | | | |
| Environment | Arable Land (% of Land Area) | 14.0 | 14.0 | 14.0 | 13.0 | 13.0 | 13.0 | Agri - DCS | | |
| | Arable Land Per Capita (ha) | 0.57 | 0.50 | 0.48 | 0.45 | 0.45 | 0.45 | Agri - DCS | | |
| | Forest Area (% of Land Area) | 17.4 | | 16.3 (2001) | | | | Minst. Of Envir / MDGR | | |
| | Annual Rainfall (average) (mm) | | | 1747.6 | 1738.2 | 1991.0 | 1706.0 | Agri - DCS Dept.of Meteorology/CB | | |
| | MDG | Access to improved sanitation facilities (% of hhs) | | 72.6 | 67.5 (2001) | | | | DHS /CPH/ SMDG | |
| | MDG | Proportion of access to safe drinking water | | 75.4 | 82.0 (2001) | | | | DHS /CPH/SMDG | |
| | MDG | Proportion of housing units with access to secure tenure in urban sector | | | 98.1 (2001) | | | | CPH | |

CCA Indicators on Poverty

| Goal area | Indicator | Data Trend | | | | | | Source | Remarks | |
|--|--|---------------|--------|----------------|--------|------------------|--------|--|---|--|
| | | 1990 | 2000 | 2002 | 2003 | 2004 | 2005* | | | |
| MDG | Availability of Electricity (% of households) | | | | | 74.9 (2003/4) | | CFSES 2003/04 CB Electricity Board/ Lanka Elec Co Ltd. Minst.of ENR/ MDGR DCS/Poverty Indicators DCS/Poverty Indicators | Excluding Kilinochchi, Mannar & Mullativu Dists. | |
| | No. of consumers('000) | | 2817.0 | 3186.0 | 3381.0 | 3597 | 3802.0 | | | |
| | Total Carbon Dioxide emission (Million Metric Tones.) | | 33.63 | | | | | | | |
| | Oil (GWh) | | | 3200 | 3904 | | | | | |
| | Proportion of population using solid fuels | 89.0 | | 80.3 (2001) | | | | | | |
| Develop a global partnership for development M MDG | Personal computers in use per 100 population | | | | | 3.8 | | A sample survey on comp. literacy of SL2004 SMDG | | |
| | Urban | | | | | 10.5 | | | | |
| | Rural | | | | | 3.1 | | | | |
| | Estate | | | | | 0.3 | | | | |
| | Internet Users per 100 population | | | | | 2.8 | | A sample survey on comp. literacy of SL2004 T SLTelecom Ltd./CB Report2005 | | |
| | Telephone density(per 100 persons) | | 3.4 | 4.6 | 4.9 | 5.1 | 6.3 | | | |
| | Fixed Lines per 100 persons | 1.5 (1996) | 3.4 | 4 | 4.9 | 5.1 | | | | |
| | Cellular phones per 100 persons | | 45.1 | | 7.3 | 16 | | | | |
| | Internet and email per 1000 persons | | | | 1.3 | 4.5 | | | | |
| | Average pop. served by a . post office (No) | | 4243 | 4102 | 4100 | 4100 | 4100 | Dept. of Posts | | |

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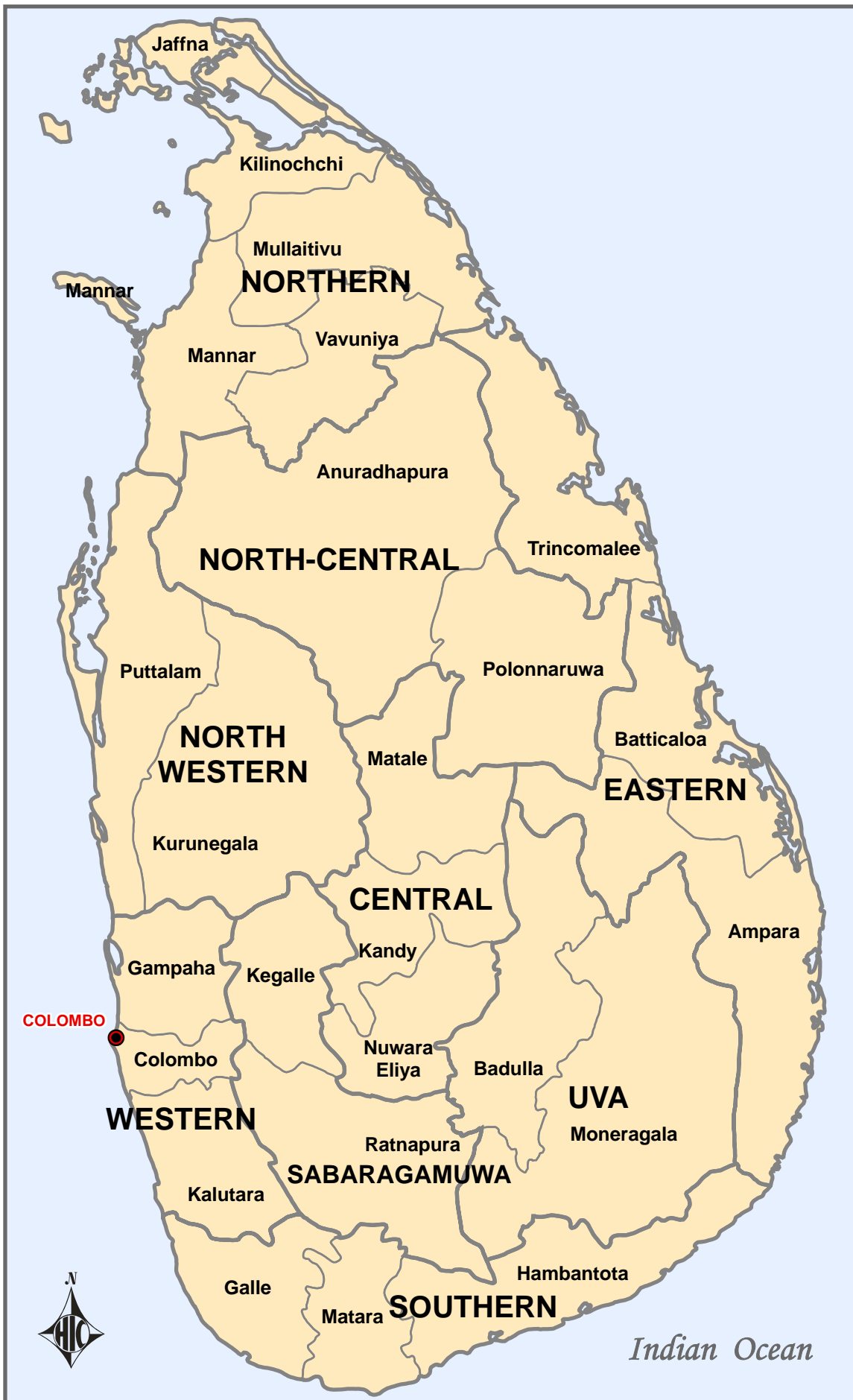


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SRI LANKA PROVINCES AND DISTRICTS



Legend

- District
- Province
- Country Capital

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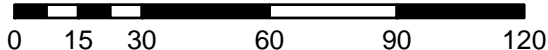
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