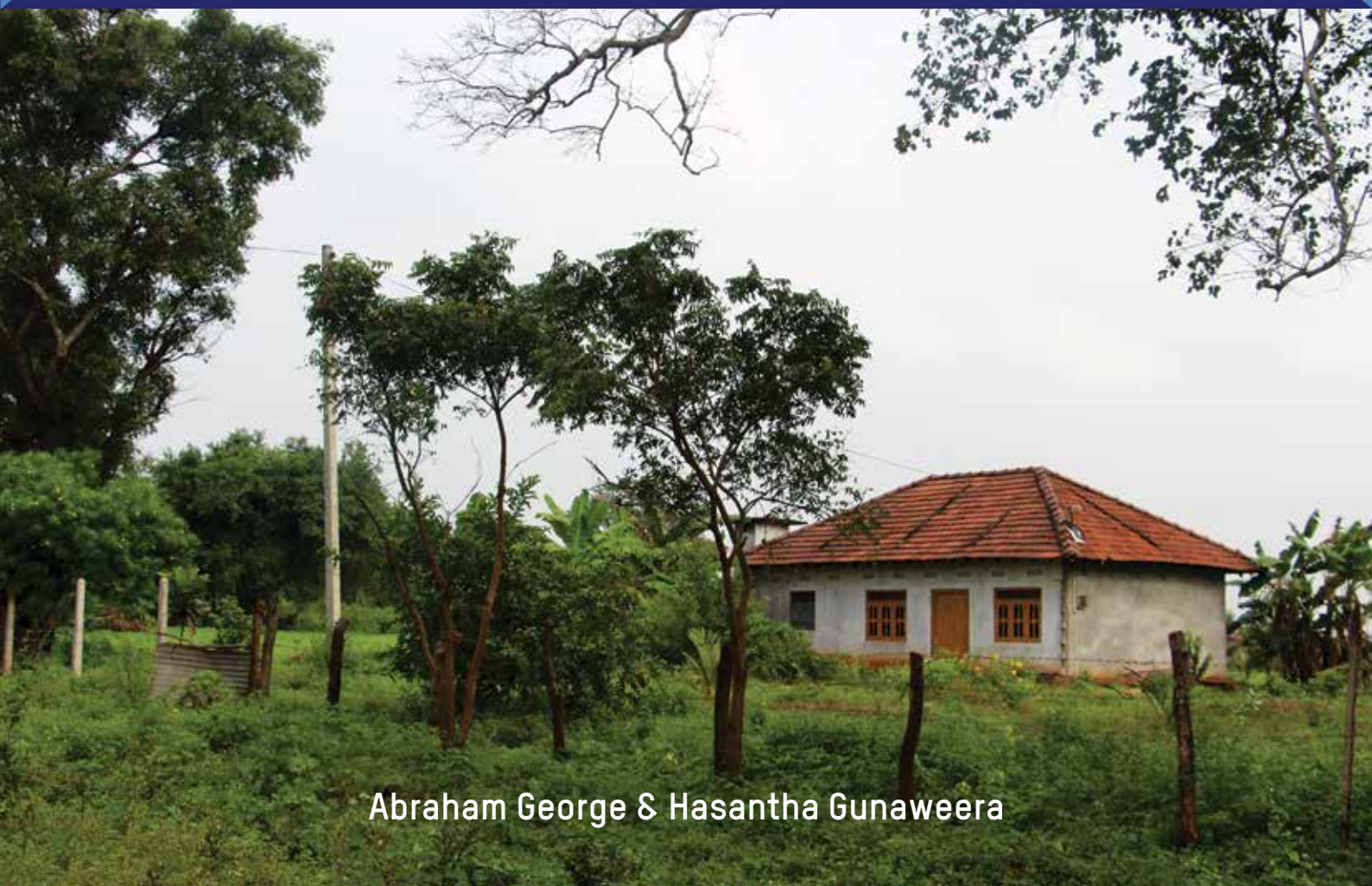


India–Sri Lanka Development Cooperation

With a Special Focus on

Indian Housing Project for Internally Displaced Persons



Abraham George & Hasantha Gunaweera

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2018



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Institute for Sustainable Development & Governance (ISDG) is a policy research and advocacy institute committed to the promotion of sustainable development and democratic governance in India.

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John Samuel
President, ISDG

List of Acronyms

A

ADB : Asian Development Bank

C

CBO : Community Based Organisation

CEB : Ceylon Electricity Board

CEPA : Comprehensive Economic Partnership Agreement

D

DAC : Development Assistance Committee

DPA : Development Partnership Administration

DS : Divisional Secretariat

E

ECTA : Economic and Technology Cooperation Agreement

EECD : Early Childhood Care and Development

EU : European Union

EXIM : Export and Import Bank of India

F

FGD : Focus Group Discussion

G

GA : Government Agents (like District Secretaries)

GDP : Gross Domestic Product

GN : Grama Niladarie (a grassroots administrative officer, reporting to the DS)

Gol : Government of India

GoSL : Government of Sri Lanka

H

HfH : Habitat for Humanity

I

IAs : Implementing Agencies

ICAR : Indian Council for Agricultural Research

ICCR : Indian Council for Cultural Relations

IDEAS : Indian Development and Economic Assistance Scheme

IDPs : Internally Displaced Persons

IFRC : International Federation of Red Cross and Red Crescent Societies

IHP : Indian Housing Project

IMF : International Monetary Fund

INR : Indian Rupee

IOT : Indian Origin Tamils

ISDG : Institute for Sustainable Development and Governance

ISLFTA : India–Sri Lanka Free Trade Agreement

ITEC : Indian Technical and Economic Cooperation

J

JWG : Joint Working Group

K

KIIs : Key Informant Interviews

KKS : Kankesanthurai

L

LKR : Sri Lankan Rupee

LoC : Line of Credit

LTTE : Liberation Tigers of Tamil Eelam

M

MEA : Ministry of External Affairs, GoI

MoU : Memorandum of Understanding

MSCS : Most Significant Case Stories

N

NAM : Non-Aligned Movement

NGO : Non-Governmental Organisation

NHDA : National Housing Development Authority (a GoSL Institution)

NTPC : National Thermal Power Corporation

NWSDB : National Water Supply and Drainage Board

O

ODA : Official Development Assistance

OECD : Organisation for Economic Cooperation and Development

P

POI : People of Indian Origin

S

SAARC : South Asian Association for Regional Cooperation

SAFTA : South Asian Free Trade Area

SBA : Stand by Arrangement

SCAAP : Special Commonwealth Assistance for Africa Programme

SDP : Small Development Project

SEWA : Self-Employed Women's Association

SLFTA : Sri Lanka Free Trade Agreement

T

TCS : Technical Cooperation Scheme

W

WFP : World Food Programme

An Overview of Development Cooperation Experience between India and Sri Lanka

India and its neighbour Sri Lanka have enjoyed close ties over centuries. Over and above socio-cultural and religious interactions, ties between the two countries in recent times have spread to almost every sphere of economic activity with growing development cooperation between them. While tracing the development cooperation experience of the two countries in general, this study analyses the Indo–Sri Lankan development partnership with a special focus on the flagship development assistance project of India in Sri Lanka, viz., the Indian Housing Project (IHP) for the Internally Displaced Persons (IDPs).

It would be useful to briefly examine the overall development cooperation experiences of both India and Sri Lanka separately in order to have a more lucid understanding of Indo–Sri Lankan development cooperation that will be dealt with in Chapter 2 in greater detail.

Part I

Evolution of India's International Development Cooperation

Introduction

For several years India carried the image as more of an aid recipient country, domestically as well as globally. Of late, India is increasingly acknowledged internationally as an emerging donor country. The last decade has seen the country transform itself into a net donor by providing more development assistance than it receives. India has been extending development assistance to its neighbouring countries such as Bhutan and Nepal since its Independence. India's development cooperation initiatives began through providing scholarships and humanitarian aid to other countries in 1949.¹ India continues even today to have a greater focus on development partnerships with its South Asian neighbours and African countries. Indian development cooperation has been part of a conscious effort to build solidarity with other developing nations and promote economic cooperation among post-colonial states.²

With its increasing global economic and political clout, the volume of India's development cooperation has grown significantly. Its development cooperation activities are carried out within the framework of South-South development cooperation based on the Bandung Principles.³ South South Cooperation (SSC) is characterised by, among other factors, the ideals of equality and mutual benefit, non-interference and respect for sovereignty of the programme country, and avoiding any macroeconomic or governance conditionalities on the partner country. Unlike the North-South assistance provided by the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD/DAC) countries wherein there exists a 'donor-recipient' relationship, Southern donors such as India consider recipient countries as development partners. In addition to development finance, South South development partnerships include capacity building exercises, trade, foreign direct investment (FDI), transfer of technology and the like. Major Southern donors include China, India, Brazil and South Africa. As India has become one of the world's fastest growing economies, it has emerged as a prominent player in the SSC landscape through its expanding initiatives.

Rationale

Since Independence, development cooperation has been an integral part of India's foreign policy. Though India's development assistance in the early years was guided mainly by an ideological and political rationale, it is increasingly dictated by strategic, economic and commercial considerations.⁴ For instance, development partnerships today are increasingly utilised to promote trade and investment. Several Indian private and public companies have been investing in partner countries in sectors such as infrastructure, power, automobiles, roads and railways, information technology, etc. This enables India to project itself as a major economic power in the region. Development cooperation with countries of South Asia and Africa goes beyond altruism. Moreover, partnerships with several countries in these regions are guided by India's desire to counter the economic and political influence of China.⁵ Development partnerships with resource-rich African countries and other developing countries enable market access for Indian goods and services. These initiatives are guided by India's global aspirations as well, including the securing of a permanent seat at the United Nations Security Council (UNSC).

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1. Chaturvedi, Sachin (2012), 'India and Development Cooperation: Expressing Southern Solidarity' in Chaturvedi, Sachin, Fues, Thomas & Sidiropoulos, Elizabeth (Eds.), Development Cooperation and Emerging Powers: New Partners or Old Patterns?, Zed Books, London, p.171
 2. Sharan, Vivan, Campbell, Ivan and Rubin, Daniel (2013), India's Development Cooperation: Charting new approaches in a Changing World, Special Report, ORF, Issue 2, July, p.3 <https://www.orfonline.org/research/indias-development-cooperationcharting-new-approaches-in-a-changing-world/>
 3. Chahoud, Tatjana (2008), Southern Non-DAC Actors in Development Cooperation, (Briefing Paper 13), DIE, Bonn, p.2
 4. ISDG-Oxfam Report (2016), Future of Development Cooperation: Policy Priorities for an Emerging India, July.
 5. Bhogal, Preethy (2016), India's foreign aid to South Asia, Observer Research Foundation, <https://www.orfonline.org/research/indias-foreign-aid-to-south-asia/>

Institutional Arrangements

India's development cooperation programmes are led by the Ministry of External Affairs (MEA), Government of India (GoI). A few other Ministries and departments are also involved in such activities in terms of planning and/or implementation. With an increase in the volume and tools of development assistance covering a larger number of countries, it became necessary to coordinate and streamline development cooperation programmes that were handled by different agencies and Ministries. Therefore, the Development Partnership Administration (DPA) was set up under the MEA in 2012 to coordinate the various activities related to India's development cooperation.

Since the DPA is under the MEA, it is obvious that India's development cooperation is not independent of the country's broader foreign policy strategy and national interests.⁶ The DPA is entrusted with the formulation, implementation and evaluation of India's development assistance programmes. It coordinates trade and investment, transfer of technology, financing through credit, and capacity-building through technical and economic cooperation. Due to the growing economic and commercial significance of development partnerships and instruments such as Lines of Credit (LoCs), the Ministry of Finance (MoF) and the Export Import Bank of India (EXIM Bank) also play important roles in India's development cooperation architecture.

Main Instruments

India's development cooperation, based on the development needs of partner countries, is largely demand-driven. Unlike OECD/DAC aid, India has provided development assistance without too many conditionalities. Moreover, India has aimed to promote local capacity and long-term development of its partner countries. As a result, the country has successfully generated ample goodwill among its partners.

India employs different tools to facilitate its development assistance, namely five interlinked delivery tools that include capacity-building, development finance (lines of credit or LoCs), grants, trade and investment, and technology transfer.⁷ Generally, the country follows a comprehensive approach by blending its different instruments of development cooperation, often referred to as India's 'development compact'. Such an all-embracing development cooperation approach aims at all-round long-term development and growth of India's partner countries. In the present analysis, we briefly discuss three major tools below, namely capacity-building through the Indian Technical and Economic Cooperation (ITEC) programme, LoCs, and grants assistance.

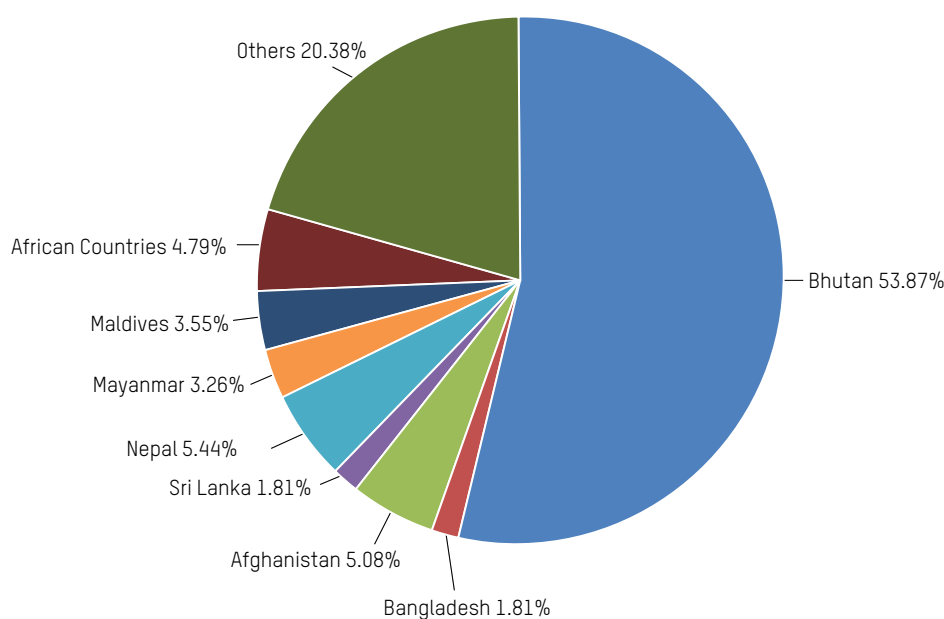
Capacity Building

The Indian Technical and Economic Cooperation (ITEC), established in 1964, has emerged as the country's leading development cooperation programme, whereby, technical cooperation and capacity building facilities are provided to other developing countries. It arranges manpower training programmes to partnering nations, gives project-based support including feasibility studies and consultancy services, deposes Indian experts abroad, organises study tours to India and provides disaster relief assistance. The Special Commonwealth Assistance for Africa Programme (SCAAP) and the Technical Cooperation Scheme (TCS) under the 'Colombo Plan for Cooperative and Economic Social Development in Asia and the Pacific' supplement the ITEC programme in strengthening India's capacity-building initiatives for partner countries. More than 10,900 civilian scholarship slots in various Indian institutions have been offered to 161 partner countries during 2017-18 under the ITEC/SCAAP programmes. Further, the Indian Council for Cultural Relations (ICCR) offers about 2,350 scholarships every year. Over 309 training courses are provided for working professionals from partner countries in 68 Indian training institutions. In addition, more than 2,000 defence training slots are allocated to defence personnel from partner countries every year.⁸ ITEC has been a major Indian soft power tool that has successfully established enduring links with thousands of civilian and military personnel from partnering nations.

6. Sharan, Vivan, Campbell, Ivan and Rubin, Daniel (2013), Op.cit., p.5

7. Chaturvedi, Sachin (2016), *The Logic of Sharing: Indian Approach to South-South Cooperation*, Cambridge: Cambridge University Press, pp.49-50

8. Ministry of External Affairs (2018), Annual Report, 2017-18, Govt. of India, p.194

Figure: 1.1 Region-wise Distribution of ITEC Programmes (as on February 2018)

Source: MEA Annual Report 2017-18

Figure 1.1 depicts region-wise distribution of ITEC programmes. Three-quarters of the total number of ITEC programmes have been allocated to Asian countries. Of a total of INR68,940 million worth of projects under ITEC, Bhutan alone has received schemes worth INR34,170 million (53.87 per cent). Around 4.8 per cent of the total was given to African countries.

Lines of Credit

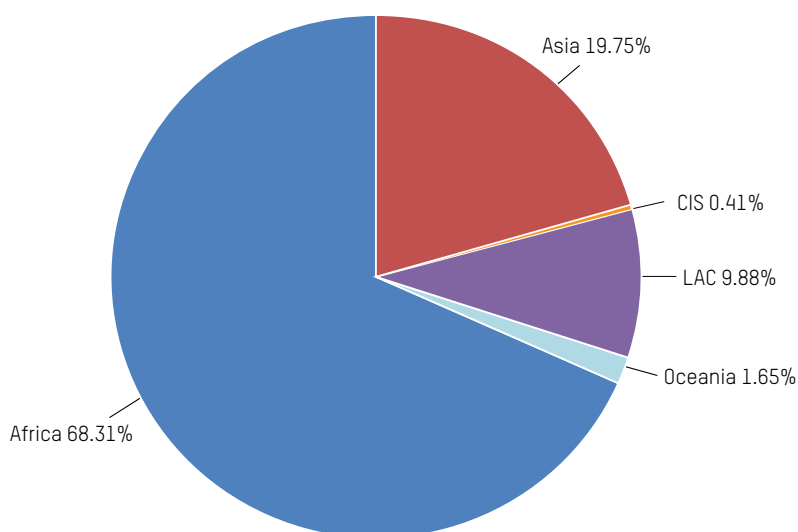
Lines of Credit (LoCs) form India's most important tool of development finance to the least developed and developing countries of Africa, Asia and Latin America. The instrument enables borrowing countries to import goods and services from India and undertake projects for infrastructure development and capacity-building as per their development priorities.⁹ The Indian Development and Economic Assistance Scheme (IDEAS) was set up in 2005 to streamline and operationalise LoCs through the country's EXIM Bank. Through LoCs, export credits are extended to partner countries that are then used to purchase goods and services from Indian suppliers. The EXIM Bank offers LoCs on both commercial and non-commercial concessional terms with the support of the Ministry of Finance.

According to EXIM Bank data, in total, 243 LoC commitments worth US\$24.19 billion have been made to different countries in Africa, Asia, Europe and Latin America till March 2018.¹⁰ Out of the total LoCs extended, African countries were the major beneficiaries, having received 166 LoCs amounting to more than US\$9.3 billion, reflecting more than 68 per cent of the total allocation. While South Asian countries received close to one-fifth of Indian LoCs, the share of Latin American countries was about one-tenth of the total (Figure: 1.2).

9. Ministry of External Affairs (2018), Op. cit. p. 192

10. <https://www.eximbankindia.in/lines-of-credit-GOILOC.aspx>

Figure: 1.2: Region-wise distribution of LoCs as on March 2018



Source: EXIM Bank Website

While LoCs are advanced to different partner countries for different purposes, EXIM Bank data reveals that Indian LoCs were mainly utilised in the power sector (25.1 per cent), followed by agriculture (23.4 per cent), infrastructure (18.5 per cent), and railways (5.35 per cent) as of March 2018.¹¹

Grants assistance

Grants have formed a major instrument of Indian development cooperation since the programme was initiated immediately after Independence. It has been a preferred source of assistance for partner countries, particularly those debt-ridden and least developed economically. Grants assistance is also demand-driven, provided without many conditionalities, and is given to partner countries either in cash or kind. India's neighbouring countries are the major beneficiaries of grants and loans (other than LoCs extended by the EXIM Bank). Out of the INR50744.9 million given as grants (84.2 per cent) and loans (15.8 per cent) to partner countries during 2017–18, more than 85 per cent of the grants assistance was extended exclusively to Asian countries while the share of the entire African countries formed just 3.25 per cent of the total. Bhutan was the single largest recipient (more than 50 per cent) during that period. The major recipients of bilateral grants and loans committed in the 2017–18 Union Budget include Bhutan (INR25797 million); Afghanistan (INR3500 million); Nepal (INR3750 million); Myanmar (INR2250 million); Maldives (INR1250 million); Sri Lanka (INR750 million); and Bangladesh (INR650 million).¹²

Grants and concessional loans from India mainly flow to the infrastructure, health and education sectors of partner countries. Grants assistance is also given by providing assistance to community-based 'Small Development Projects' (SDPs), training and capacity development programmes, scholarships in education and cultural fields, humanitarian assistance to different countries in times of natural calamities, etc. India has provided grants assistance to different partnering nations for several infrastructure development projects including hydroelectricity projects, port development, construction of railway lines and highways, and so on.

Reconstruction of the Salma Dam (Afghanistan), development of Chabahar Port (Iran), construction of a railway line to link Afghanistan with Chabahar Port, the Kaladan Multi-Modal Transit Transport Project (Myanmar), Asian Trilateral Highway connecting India, Myanmar and Thailand, etc. are some of the major initiatives in this regard. India has also extended grants assistance for setting up several institutions, including training and research institutes in partner countries, mainly in Asia and Africa.

11. Ibid.

12. Ministry of Finance (2018), Union Budget 2018–19, Expenditure Profile, Govt. of India

India's Aid Programmes in South Asia

The primary focus of Indian development assistance has been on countries in the South Asian neighbourhood, Southeast Asia and Africa. However, in recent years, India has been expanding its development assistance to distant areas such as the Caribbean, Latin America, northern Asia (Mongolia), Pacific Island Countries, etc.¹³ Since the turn of the century, India's development cooperation programmes have witnessed unprecedented expansion in the volume and scale of partnerships. For instance, while in 2009–10 India provided US\$383.01 million in grants and loans to South Asian countries (except Pakistan),¹⁴ in 2017–18 this rose to US\$583.98 million.

India is a leading member of the South Asian Association of Regional Cooperation (SAARC), a regional bloc that includes Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, and Maldives. Established in 1985, it was formed to promote socio-economic development through mutual cooperation among its member countries. Being the largest economy in the SAARC region, India has been engaged in a number of development partnerships with all member countries except Pakistan. Although the South Asian region has been registering a relatively high rate of economic growth over the last decade, it still accounts for 33 per cent of the world's poor.¹⁵ The region is also considered to be the least integrated. India seeks to improve regional economic growth and connectivity among South Asian countries through its various development cooperation instruments, including trade and investment activities.

Further, India also has strategic considerations to protect its security interests in South Asia, particularly in the context of the growing presence and influence of China in the region. Being the dominant economic power in South Asia, India has been using its development cooperation programmes to protect its geo-strategic and economic interests.

Over the last decade, India has undoubtedly become a major player in the field of international development cooperation. With growing international recognition as an emerging economic power, India is attempting to be seen as a Southern leader. Considering India's economic growth and scientific and technological advancement, the country can meaningfully assist other developing countries in their socio-economic development and poverty eradication efforts through its development cooperation initiatives.

13. Ministry of External Affairs (2017), Annual Report, 2016–17, Govt. of India, p.182

14. Bhogal, Preethy (2016), Op.cit.

15. <https://www.worldvision.org.hk/en/learn/poverty-in-asia>

Part 2

Sri Lanka's International Development Cooperation Experience

Introduction

After centuries of colonisation by the Portuguese, Dutch and British, Sri Lanka (then Ceylon) secured its Independence in 1948. The Constitution of the first Republic came into force in 1972 and the country was renamed 'Sri Lanka'. The total population is estimated at around 20.36 million of which Sinhalese constitute 74.90 per cent; Tamils 15.30 per cent; Moors (Muslims) 9.30 per cent and Others 0.5 per cent.¹⁶

At present, Sri Lanka is divided into nine provinces and 25 districts. Sri Lanka's Tamil speaking minority live mostly in the Northern and Eastern provinces of the country. In 1983, the Liberation Tigers of Tamil Eelam (LTTE), a separatist militant organisation began their armed struggle for creating an independent state for Tamils. The prolonged civil war came to an end only by 2009 when the Sri Lankan army defeated the LTTE completely. Apart from having to reconstruct the war-shattered infrastructure and its economy, Sri Lanka had to confront a huge humanitarian crisis in the form of rehabilitating more than 300,000 internally displaced persons (IDPs).

The protracted civil war has had a remarkable impact on the social, political and economic life of the country. The armed conflict shattered the fragile economy of the island nation. The wounds of the civil war are yet to be completely healed and many of the issues that existed before the conflict still remain unresolved. The economy is still struggling to recover in spite of availing massive foreign assistance. The role of the state in the economy has also grown tremendously. Increasing centralisation of power and institutions; growing state ownership and control of key resources of the economy; stronger bureaucratic influence over the economy and increasing reliance of private sector on state patronage are a few of the post-civil war realities in Sri Lanka.¹⁷ Although Sri Lanka's development plan for 2006–2016 titled 'Mahinda Chintana – Vision for a New Sri Lanka' was the then Government's official development plan, many people thought that it was prepared without any consultation process with civil society and did not contain any references to the conflict, specific regional objectives or any concrete action plans.¹⁸

International Assistance

Being a founding member of the Non-Aligned Movement (NAM), Sri Lanka continues to follow a non-aligned foreign policy and is a member of international bodies including the United Nations, the Commonwealth, SAARC, World Bank (WB), International Monetary Fund (IMF) and Asian Development Bank (ADB). Since Independence, Sri Lanka has received foreign aid mainly from traditional OECD/DAC donors and international institutions and agencies.

Foreign aid has played a prominent role in Sri Lanka's socio-economic development from the time of its Independence. With insufficient domestic resources to finance large infrastructure projects, foreign aid has been essential for the country.¹⁹ Foreign assistance has also been utilised for investments in agriculture, industry and social sector projects including education, health, poverty alleviation, rural development, etc. In recent times, a great deal of reconstruction activities related to natural disasters and civil war have also been carried out using foreign assistance.

16. http://www.statistics.gov.lk/PopHouSat/CPH2011/index.php?fileName=Key_E&gp=Activities&tpl=3

17. Amarasinghe, Dhanusha and Rebert, Johann (2013), 'Dynamics and Trends of Foreign Aid in Sri Lanka – Exploring Space for Context-Sensitive Aid Delivery', Research Summary, International Alert, p.7

18. Ministry for Foreign Affairs (2008), 'Strategy for development cooperation with Sri Lanka: July 2008–December 2010', Government Offices of Sweden, p.2

19. Ross, Russell R, Savada, Andrea Matles and Nyrop, Richard F (1990), Sri Lanka: A Country Study, Federal Research Division, Library of Congress, Washington D.C., p.124 <https://www.loc.gov/item/89600372/>

Over the years, a large share of Sri Lanka's foreign aid has been provided by Japan, the Asian Development Bank (ADB) and the World Bank. Most of these have been provided at concessional rates of interest with long-term repayment periods.²⁰ Several European countries, the United States of America (USA), and various international organisations have also provided grants and loans on concessional terms. Foreign aid to Sri Lanka was mostly pledged at the 'Aid Sri Lanka Consortium' meetings organised by the World Bank on behalf of major donors. Based on aid requests sent by the Sri Lankan Government annually to the World Bank, the donors converged at these meetings to consider these requests and coordinate their aid policies. While extending grants and loans, the World Bank and other donors had urged the Sri Lankan government to liberalise the country's economy and pursue free market policies.²¹

During the last three decades, Sri Lanka has faced consecutive budget deficits. Budgetary gaps have been bridged mainly through borrowing. In order to finance the capital expenditure of the budget and to fund capital-intensive infrastructure investments, Sri Lanka has depended heavily on foreign aid. The country has financed development activities without largely resorting to short-term debt financing since concessional Official Development Assistance (ODA) loans carrying low interest and long repayment periods from international donors like Japan, ADB and the World Bank were available.²² However, the problem of high budget deficits worsened towards the end of the first decade of the 21st century. While government revenues, particularly export earnings, fell due to the global recession, government expenditure increased phenomenally owing to huge civil-war related military and humanitarian expenditures together with higher interest payments and hikes in public salaries. Consequently, by 2009 Sri Lanka's budget deficit became as high as 9.7 per cent of the Gross Domestic Product (GDP).²³

Need for Foreign Aid

Sri Lanka's falling public revenue and rising expenditure necessitated borrowing to finance the latter. Since domestic borrowing could raise the interest rate and, thereby, discourage private investment, it was not a preferred option. Moreover, there was a ceiling on domestic borrowing as per the technical Memorandum of Understanding (MoU) with the IMF. Sri Lanka's foreign exchange earnings have primarily been through exports, remittances and short-term capital inflows into Government securities and equity. After the end of the civil war in 2009, these sources became insufficient to cover the huge foreign exchange requirements for post-war reconstruction and rehabilitation.²⁴ The country's foreign exchange reserves plummeted alarmingly by March 2009, leading to a macro-economic crisis with reserves sufficient for barely six weeks' worth of imports. Subsequently, Sri Lanka managed to obtain Stand-By-Agreement (SBA) assistance from the IMF in July 2009.²⁵

The Government, however, needed more foreign funds to tide over the critical situation. Foreign borrowings could be from either traditional donors at concessional rates or through commercial borrowings at much higher rates of interest. At the same time, the country's access to foreign aid from traditional OECD/DAC donors, including international institutions, had declined considerably. Further, towards the end of the civil war, some traditional bilateral donors had also declined financial support due to alleged human rights violations during the conflict. It is in this context that Sri Lanka began contemplating commercial borrowings from non-traditional donors like China.²⁶

20. Kelegama, Saman and De Mel, Deshal (2007), 'Southern Perspectives on Reform of the International Development Architecture: Sri Lanka Country Study', The North-South Institute, Ottawa

21. Ross, Russell R, Savada, Andrea Matles and Nyrop, Richard F (1988), *Op.cit.*, p.166

22. De Mel, Deshal and De Silva, Anneka (2012), 'Sri Lanka' in Kelegama, Saman(Eds), *Foreign Aid in South Asia: The Emerging Scenario*, Sage India, p.166

23. *Ibid.* p.168

24. *Ibid.* p.173

25. *Ibid.* p.175

26. *Ibid.* p.165

Shift towards non-traditional development finance

With a per capita income of US\$2,923, Sri Lanka attained its middle-income country status in 2012.²⁷ But this resulted in difficulties to obtain concessionary loans any more from agencies like European donors. Concessional finance from international institutions like the ADB, World Bank and UN agencies such as the World Food Programme (WFP) also declined. Further, after graduation to the status of a middle-income country, it became necessary for Sri Lanka to observe more conditionalities and policy changes to access funding from the World Bank. This was yet another reason for Sri Lanka to reduce the level of engagement with traditional donors and explore alternative avenues for borrowing with relatively less conditionalities.²⁸ Thus, it became more attractive for the country to approach non-traditional bilateral donors. This consequently resulted in a surge in the flow of bilateral aid from non-traditional Southern donors such as China that did not place as much importance to political or non-economic issues while lending, making it easier for the Sri Lankan government to deal with them. Consequently, within a few years, China assumed the role of Sri Lanka's largest donor.

Greater options regarding access to development finance have given the Sri Lankan Government greater leverage with other donors to insist that aid should be aligned to national development priorities.²⁹ According to the World Bank, the total aid received by Sri Lanka increased from US\$788 million in 2006 to US\$6195 million by 2016 (Table: 1.1).

Table: 1.1 Foreign Aid Received by Sri Lanka (2006–2016)

Year	Aid Received by Sri Lanka (in million US\$)
2006	788.09
2007	609.76
2008	721.84
2009	704.20
2010	579.62
2011	613.46
2012	490.89
2013	403.17
2014	491.63
2015	427.23
2016	365.12
Total	6195.01

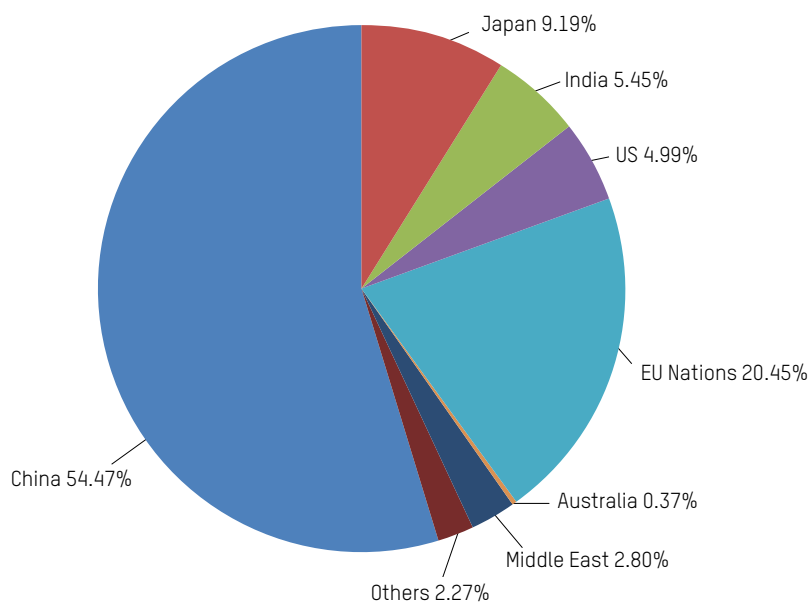
Source: World Bank Open Data

27. <http://documents.worldbank.org/curated/en/321801468108538981/pdf/PID-Print-P130548-10-21-2013-1382332487161.pdf>

28. Amarasinghe, Dhanusha and Rebert, Johann (2013), Op.cit., p.11

29. Ibid. p.16

Figure 1.3 Country-wise Distribution of Source of Foreign Aid [2016]



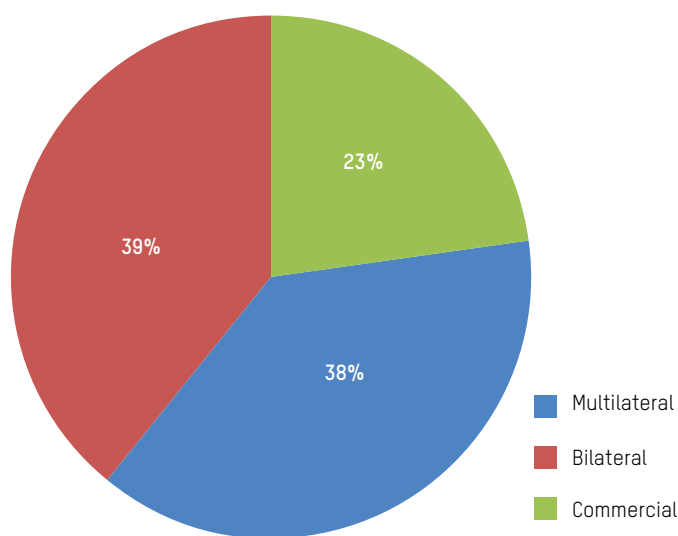
Source: Government of Sri Lanka, Department of External Resources

According to Sri Lanka’s Department of External Resources, by 2016, China had provided 55 per cent (i.e., more than half) of the total foreign assistance received by the island nation. While India’s share was only 5 per cent of the total, European Union countries contributed 21 per cent (Figure 1.3)

Growing Foreign Debt

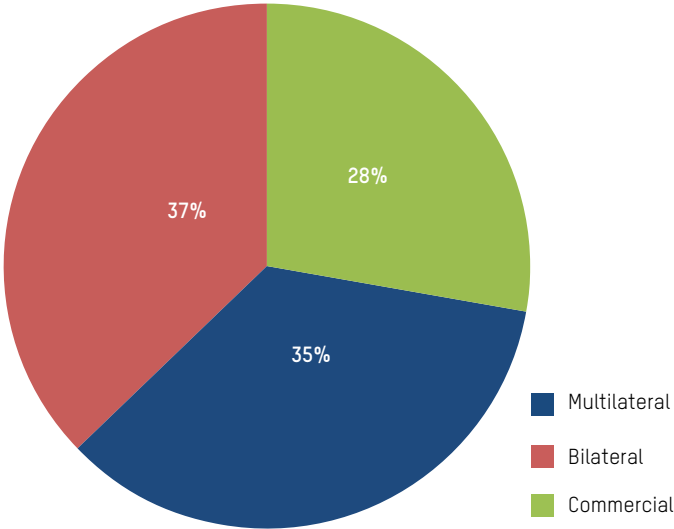
Due to huge overseas borrowing, Sri Lanka’s outstanding foreign debt grew to over US\$25,267 million by 2016. Commercial borrowings, that constituted less than 10 per cent of total borrowings in the early 2000s, rose to 23 per cent in 2009 and became as high as 28 per cent by 2016 (Figures 1.4 & 1.5). Meanwhile, multilateral foreign debt that was 38 per cent of the total debt in 2009 dropped to 35 per cent by 2016. During the same period, bilateral foreign debt changed from 39 per cent to 37 per cent.

Figure: 1.4 Outstanding Foreign Debt of Sri Lanka (2009)



Source: Government of Sri Lanka, Department of External Resources

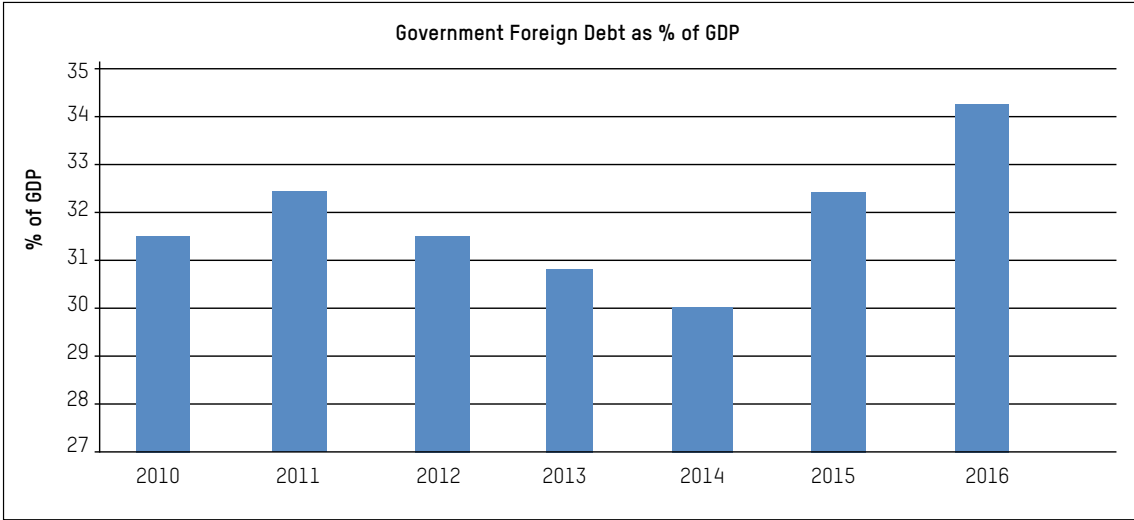
Figure: 1.5 Outstanding Foreign Debt of Sri Lanka (2016)



Source: Government of Sri Lanka, Department of External Resources

Sri Lanka’s outstanding foreign debt as a percentage of GDP increased phenomenally during 2010–2016 period (Figure 1.6). By 2016, the proportion of the Sri Lankan Government’s foreign debt had grown to beyond one-third of the country’s GDP.

Figure: 1.6 Growth of Sri Lanka’s Foreign Debt as Percentage of GDP



Source: Government of Sri Lanka, Department of External Resources

Even though Sri Lanka has partnered in development cooperation activities with India and China for a long time, they are still considered as ‘Non-Traditional’ donors. Both countries have played a crucial role in the nation’s post-war development plans. Under the principles of South-South Cooperation, Sri Lanka finds it much easier to engage with them than with its Western counterparts, as the formers’ development assistance is largely demand-driven and has relatively fewer conditions, thereby aligning better with Sri Lanka’s national development policies.

Growing Concerns

As the Sri Lankan Government has, in recent years, increasingly resorted to commercial borrowings to finance development and reconstruction activities, there is a growing concern whether, in the long run, commercial borrowings will be beneficial to the country. Commercial borrowings taken to finance projects with long gestation periods entail higher rates of interest and a shorter repayment period. The grave risk lies in timely repayment. Hence, the apprehension is that such development financing practices may not be sustainable and may lead the country into a debt trap.

Immediately after the civil war, a major portion of concessional loans was utilised for the reconstruction of infrastructure and the rehabilitation of citizens displaced in the Northern and Eastern provinces. For the recovery of their local economy, these provinces continue to require more support and investments in agriculture, small and medium enterprises, education, public health, transportation and the like. Considering the magnitude of money required for resurrecting the war-torn economy and financing the reconstruction process, commercial borrowings on an unsustainable scale do not augur well for the country. The growing aid-dependency is, thus, a big challenge to the Sri Lankan Government as it could foster fiscal indiscipline and lead to macroeconomic imbalances in the future.

INDO-SRI LANKAN DEVELOPMENT PARTNERSHIP

Introduction

The geographical proximity between India and Sri Lanka has led to millennia of close socio-economic, cultural and religious interactions between the peoples of both nations. Although a number of 'People of Indian Origin' (POIs) have been living in Sri Lanka, a sizeable number of them (1.6 million) are 'Indian Origin Tamils' (IOTs) who constitute about 9.3 per cent of the total Sri Lankan population. Further, India and Sri Lanka have been engaged in development cooperation partnerships for more than five decades. Being founding members of the Non-Aligned Movement (NAM), their development cooperation partnership has been based on the principles of South South Cooperation (SSC).

After the Independence of both nations, interactions have steadily increased and expanded to almost every field. India's economic liberalisation in the early 1990s and the India-Sri Lanka Free Trade Agreement (ISLFTA) came into force in 2000 and provided significant impetus to the economic ties between the two neighbours. Besides economic and commercial interests, geostrategic, political and regional security considerations greatly influence their development partnership. For instance, India's intention to consolidate its position as a regional power and its concerns relating to the growing presence of China in Sri Lanka and South Asia in general have been influencing its development cooperation paradigm with the island nation in recent years.

Significance

At present, Sri Lanka is in the process of rebuilding its economy after prolonged armed conflict. Natural calamities like the 2004 tsunami also inflicted considerable damage to the island nation. Although an enormous amount of funding is required for rebuilding the nation, the scope for raising domestic resources is limited. Sri Lanka has been in need of large foreign development finance for the reconstruction of its basic socio-economic infrastructure. Further, Sri Lanka requires FDI from India for promoting economic growth and improving its business environment for the economy to benefit. India could also play a crucial role in supporting Sri Lanka's efforts towards post-conflict rehabilitation of displaced people, and the national reconciliation and peace process. As the largest economy in the South Asian region, India's development cooperation initiatives could promote socio-economic development in Sri Lanka and, thereby, significantly contribute to the stability of the South Asian region.

Major Features and Areas of Partnership

Indo-Sri Lankan development cooperation is a multi-faceted partnership. Over the past few decades it has grown in magnitude and diversified by building close relationships not only at the political level, but in areas as varied as trade, investment, science and technology, and defence and humanitarian assistance in response to natural calamities. India has been engaged with Sri Lanka through all the instruments of its development

compact, viz., capacity building, development finance (LoC), trade and investment, technology transfers, and grants. Such an all-embracing development cooperation strategy aims to help Sri Lanka in building its own capacities, poverty alleviation and economic growth efforts. India has endeavoured to align its development assistance with Sri Lankan national plans and priorities.

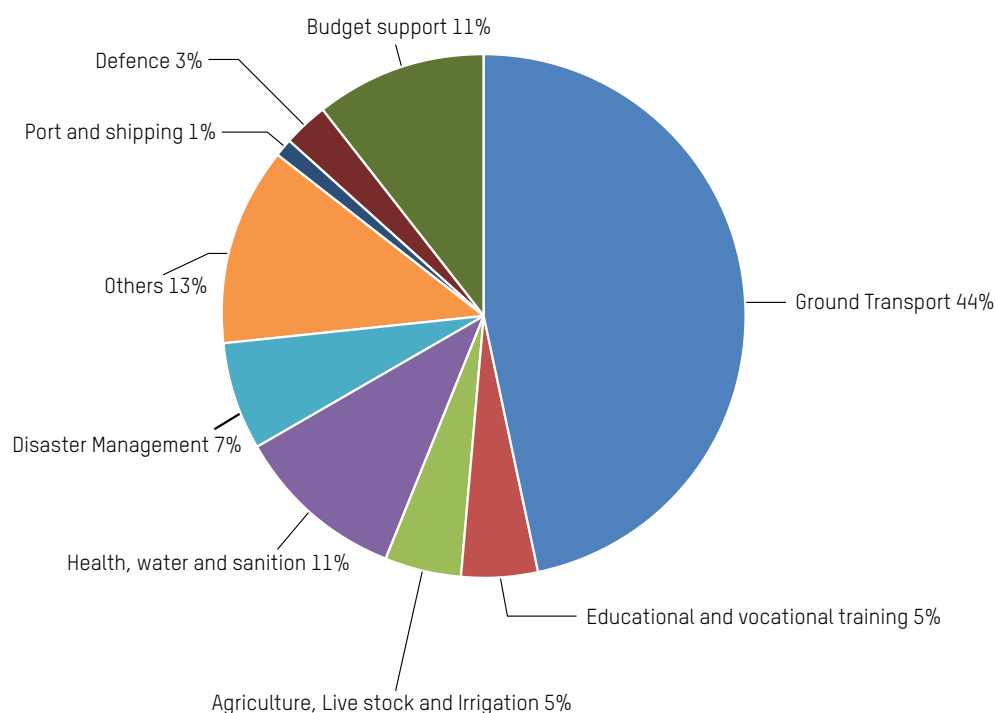
The Sri Lankan Government identifies projects and then implements them with the assistance of the Indian government. The nation has been one of the major recipients of development credit from India with total development finance advanced adding up to US\$2.63 billion including US\$458 million provided as grants.¹ While most loans are provided through the EXIM Bank of India as Lines of Credit (LoCs), development finance given as grants is provided by the Indian Government. Between 2008 and 2016, the maximum share of India's commitments in Sri Lanka has been in railways (48.7 per cent), followed by water supply (23.3 per cent) and livelihoods (14.4 per cent) (see Table: 2.1; Figure: 2.1).

Table: 2.1. India's Sectoral Commitments in Sri Lanka 2008–2016

Category	% to total
Railways	48.7
Water Supply	23.3
Livelihood	14.4
Port	1.0
Health and Education	1.3
Others	11.3

Source: Performance Report 2016, Department of External Resources, Sri Lanka

Figure 2.1: Sectoral Distribution of the Foreign Financing Disbursements during 2016



Source: Performance Report 2016, Department of External Resources, Sri Lanka

1. Ministry of External Affairs (2017), Sri Lanka Brief, Govt. of India, November, p.4

Since 2004, India has extended several LoCs to Sri Lanka in order to finance different large infrastructure projects. Till 2017, the quantum of Indian LoCs to Sri Lanka amount to over US\$1.5 billion. Table: 2.2 shows the various credit lines India has extended to Sri Lanka through the EXIM Bank during this period.

Altogether, LoCs worth US\$1,579.43 million have been provided for various purposes to Sri Lanka during the 12-year period. The largest share, as stated earlier, went to the railways for activities including track and carriage upgradation, track laying, signal setting, procuring locomotives and coaches, etc. This was followed by purchases of equipments, petroleum products, harbour restoration, etc.

Table: 2.2. EXIM Bank of India approved LoCs for Sri Lanka

Year of Approval	Amount of Credit (in US\$ million)	Purpose
2004–05	150.00	Export of petroleum products by MRPL
2005–06	100.00	Purchase of equipment/supplies
2008–09	100.00	Upgradation of railway line from Colombo to Matara
2009–10	67.40	Upgradation of Southern Railway Corridor from Colombo to Matara
2009–10	416.39	Railway Track laying: (i) Omanthai-Pallai; (ii) Madhu Church-Tallaimannar; (iii) Medawachchiya- Madhu lines.
2010–11	382.37	(i) Track laying: Pallai-Kankesanthurai line, (ii) Signaling and telecommunications systems: Northern railway; (iii) other projects
2014–15	318.00	For financing procurement of: (i) 18 Diesel Multiple Units (DMU); (ii) 160 passenger coaches and rack materials from India
2016–17	45.27	Rehabilitation of Kankesanthurai Harbour in Sri Lanka
Total	1579.43	

Source: EXIM Bank Website

Some of the major projects undertaken through India’s development finance over the last decade have been discussed below. Several Indian companies, both public and private, are involved in the planning and implementation of projects funded by Indian assistance.

Infrastructure Projects

Making use of India’s credit lines, several railway projects in Sri Lanka have been completed in recent years or are currently in the process of completion. For example, LoCs were made available for track-laying and supply of rolling stocks and other items for the Southern Railway corridor from Colombo to Matara, a project that was completed in 2012.² The Pallai-Jaffna railway track was reconstructed and its signal system was set up, thereby, reconnecting Jaffna to Colombo by rail. Another project involved track-laying and supplying rolling stock to support construction of railway lines in Northern Sri Lanka.

In 2016, the EXIM Bank signed Buyer’s Credit Agreements amounting to US\$403.01 million with the country’s National Water Supply and Drainage Board (NWSDB) to start three water supply projects. India has pledged a credit line worth US\$200 million for key infrastructural facilities, including the completion of the construction of a 500MW coal-based power plant in Sampur, located near the Trincomalee harbour. The power plant is a joint venture between India’s National Thermal Power Corporation (NTPC) and the Ceylon Electricity Board (CEB). Other projects undertaken or getting ready for implementation include the wreck removal, dredging and restoration of the Kankesanthurai (KKS) Port (US\$45.27 million) and the development of a civilian airport at Palaly, among others.³

2. Ibid., p.4

3. Ibid., p.3

Small Development Projects

The Government of India (GoI) has extended significant amounts of grant assistance to Sri Lanka for a number of small development projects in areas such as education, training, health, small and medium enterprise development, transport connectivity and training programmes. In addition, grants have been given to several projects in the field of culture.

Education and Training

As part of its development cooperation effort, India provides over 700 scholarships to Sri Lankan students belonging to A-level, undergraduate, postgraduate and research levels every year. India also offers 370 scholarship slots to Sri Lankan nationals annually as part of the Indian Technical and Economic Cooperation Scheme (ITEC) and the Colombo Plan.⁴ India has also provided grants assistance to set up vocational training centres in different places in Sri Lanka, a women's trade facilitation and a community learning centre in Batticaloa and the training school for the cultural academy at Kandy.

Health

A 150-bed district hospital was built at Dickoya in the Central Province with Indian grant funding. An Indian grant worth US\$7.55 million enabled the launch of an Emergency Ambulance Service in the island nation in 2016. The project includes deployment of 88 ambulances in the western and southern provinces and setting up of an Emergency Response Centre. In 2017, India pledged to extend free ambulance services using grants assistance for all the other provinces.⁵

Culture

Under the Cultural Cooperation Agreement of 1977, exchange programmes are arranged with cultural troupes from both the countries visiting each other every year. An Indian Cultural Centre was set up in Colombo to promote awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga.

The India-Sri Lanka Foundation, set up in 1998, is an intergovernmental initiative that aims at enhancing scientific, technical, educational and cultural cooperation through civil society exchanges and contacts between the younger generations of the two countries. The Indian Gallery at the International Buddhist Museum, Rabindranath Tagore Memorial Library and Resource Centre in Sri Palee College in Horana, the renovation of Duraiappah Stadium in Jaffna, and the dance academy being set up in Kandy are all projects implemented with assistance through Indian grants.⁶

Disaster Relief

India has been extending humanitarian assistance to Sri Lanka during times of natural calamities and emergencies. In 2004, when the Indian Ocean tsunami hit the coastal areas of India and other South Asian countries, India was at the forefront to provide immediate assistance to its neighbours. Apart from extending immediate aid, sending relief supplies, and setting up field hospitals for affected people, India contributed US\$23 million for Sri Lanka's long-term reconstruction. During the armed conflict, in addition to its direct contributions to the Sri Lankan authorities, India had provided US\$2.5 million to the United Nations High Commissioner for Refugees as well as US\$5 million in relief supplies to the International Committee of the Red Cross to help Tamil civilians stranded in the northern Sri Lanka.⁷

4. Ibid., p.4

5. Ministry of External Affairs (2017), Annual Report, 2016-17, Govt. of India, p.22

6. Ibid., p.22

7. Meier, Claudia and Murthy, CSR (2011), 'India's Growing Involvement in Humanitarian Assistance', GPPi Research Paper No.13, p.18

Immediately after the end of the civil war in 2009, India committed to a package of US\$112 million to fund humanitarian and early recovery projects.⁸ Further, US\$270 million worth of assistance was provided to construct 50,000 houses for Internally Displaced Persons (IDPs) in the Northern and Eastern provinces. In May 2016, upon being requested by the Sri Lankan Government, India had rushed in relief material when heavy flooding and landslides affected 22 of the 25 districts in Sri Lanka. Relief assistance was again provided to Sri Lanka in 2017 during a drought and floods soon after.⁹

Tourism

Tourism has become a prominent link in the cooperation between India and Sri Lanka of late. At present, India is the largest source of tourists for the neighbouring country, comprising nearly 14 per cent of the 2 million tourists who visited in 2016. In turn, Sri Lankan tourists also count as among the top ten sources for the Indian tourism market with around 215,000 Sri Lankans travelling to India in 2016. Earlier, in 2015, the GoI had introduced the e-Tourist Visa scheme at a reduced fee for Sri Lankan tourists.¹⁰

Trade

Trade and investment form two important components of India's development compact. Bilateral trade between India and Sri Lanka has been growing at a fast pace since the turn of the century. Today, Sri Lanka is India's largest trading partner in the SAARC.¹¹ In 2017, India was the main source of imports for Sri Lanka, accounting for 21.6 per cent share in its total import expenditure.¹²

Since the India–Sri Lanka Free Trade Agreement (ISLFTA)¹³ was inked between the two countries in 1998, there has been remarkable increase in the volume of bilateral trade. By 2016, exports from India to Sri Lanka stood at US\$3.83 billion. At the same time, exports from Sri Lanka to India were to the tune of US\$551 million, indicating a substantial trade surplus for India. In fact, Sri Lanka's exports to India were recorded at its highest in 2014 when it was valued at US\$624.67 million. In the same year, Sri Lanka's imports from India amounted to US\$3,977.18 million. The huge difference in the size, export capacities and competitiveness between the two economies have led to a considerable trade gap.

India–Sri Lanka Free Trade Agreement

The India–Sri Lanka Free Trade Agreement (ISLFTA) was signed in 1998 and came into effect from March 2000. Following this, the volume and nature of bilateral trade between India and Sri Lanka witnessed a sea change. The glaring asymmetries between the two economies were a major concern while working out the Free Trade Agreement. Further there was a need to take into account the local socio-economic sensitivities and to safeguard domestic interests and tariff revenues.

Overcoming the asymmetry between the two economies and ensuring positive outcomes for both, Special and Differential Treatment provisions are included for Sri Lanka. Both the countries agreed to extend tariff concessions/preferences to all the traded commodities except those under the negative list, and to give preferential treatment on more than 5000 tariff lines. ISLFTA became a reality because India was prepared to do more without insisting on strict reciprocity from Sri Lanka. This is reflected in the respective obligations of the two countries under the ISLFTA where India has agreed to open more tariff lines upfront and within a shorter time span of three years while Sri Lanka is allowed to have more staggered openings and a longer time of eight years.

8. Asia Report (2011), 'India and Sri Lanka after the LTTE', No.206, International Crisis Group, p.8 <http://www.refworld.org/pdfid/4e0422d62.pdf>

9. Ministry of External Affairs (2017), Annual Report, 2016–17, Govt. of India, p.22

10. Ministry of External Affairs (2017), Sri Lanka Brief, Govt. of India, November, p.5

11. High Commission of India, Colombo (2015), 'India-Sri Lanka Economic and Trade Engagement', Colombo. http://www.hcicolombo.org/Economic_Trade_Engagement

12. Ibid.

13. http://commerce.gov.in/international_nextDetail_WTO.aspx?LinkID=31&sidwto=45

Under ISLFTA, 4,150 Indian tariff lines have been made zero duty for Sri Lankan exports to India as against making 3,932 tariff lines zero duty for Indian exports to Sri Lanka. Further, India has offered quotas to Sri Lanka on certain tariff lines for tea, textiles and garments. There remains 1,180 tariff lines in the Sri Lankan negative list that include agriculture/livestock items, rubber products, paper products, iron and steel, machinery, and electrical items whereas there are only 429 items in the negative list of India that include garments, plastic products, rubber products, etc. For obtaining ISLFTA benefits, the merchandise exported between the two countries require Rules of Origin criteria. Wholly obtained products like tea, fish, spices, and others are eligible for duty free benefits at each other's market.¹⁴

After the implementation of ISLFTA, bilateral trade between the two countries increased considerably. The average annual exports from Sri Lanka to India was around US\$39 million worth and the average annual imports from India valued about US\$509 million towards the end of the 1990s.¹⁵ At present, Sri Lanka has become one of India's largest trading partners in South Asia. Bilateral trade between India and Sri Lanka in 2016 was worth US\$4,378.5 million (Table: 2.3). While exports from India to Sri Lanka amounted to US\$3,827.5 million, exports from Sri Lanka to India stood at US\$551 million in 2016.¹⁶

Table: 2.3 India-Sri Lanka Trade (2001-2016)

Year	Exports (US \$ Mn)			Imports (US \$ Mn)		
	Total Exports to India	Under the ISLFTA	% Under the ISLFTA	Total Imports from India	Under the ISLFTA	% Under the ISLFTA
2001	70.12	15.90	23	601.00	113.10	19
2002	168.81	114.20	68	834.00	81.70	10
2003	241.14	238.80	99	1076.00	150.40	14
2004	385.49	339.90	88	1342.00	394.70	29
2005	559.21	543.00	97	1399.43	246.20	18
2006	494.06	431.10	87	1822.07	459.30	25
2007	516.40	398.20	77	2785.04	385.30	14
2008	418.08	309.30	74	3006.93	541.40	18
2011	521.59	391.50	75	4349.43	579.60	13
2012	566.37	379.50	67	3517.23	156.40	4
2013	543.37	368.77	65	3092.67	393.40	13
2014	624.81	375.80	60	3977.76	540.10	14
2015	643.03	407.20	63	4273.30	253.30	6
2016	551.21	375.16	68	3827.50	186.73	5

Source: *International Trade Statistics of Sri Lanka, Ministry of Commerce, Govt. of Sri Lanka*

In 2001, 23 per cent of Sri Lanka's total exports to India was under the FTA, and by 2016 this became 68 per cent. Interestingly, 19 per cent of India's exports to Sri Lanka took place under the FTA in 2001, whereas the share of India's exports under the FTA dropped to just 5 per cent by 2016.

14. High Commission of India, Colombo (2015), Op.cit.

15. Ibid.

16. Ibid.

South Asian Free Trade Area

The South Asian Free Trade Area (SAFTA) is a multilateral free trade agreement that became operational in January 2006. Among its members, India, Pakistan and Sri Lanka are classified as Non-Least Developed Contracting States (NLDCS). The rest of the members including Bangladesh, Bhutan, Maldives, Afghanistan and Nepal are categorised as Least Developed Contracting States (LDCS). Compared to ISLFTA, the value of benefits accruing to both India and Sri Lanka under SAFTA is only marginal.¹⁷

Comprehensive Economic Partnership Agreement

The success of ISLFTA encouraged both the governments to go beyond the prevailing agreement and strengthen bilateral economic integration further by including new areas like trade in services and investment. On the basis of a Joint Study Group report, India and Sri Lanka started negotiations on a Comprehensive Economic Partnership Agreement (CEPA) from 2005. But the agreement did not come through due to the apprehensions of the business community and the reservations expressed by the Sri Lankan government.¹⁸

Other Bilateral Agreements

At present, negotiations are taking place between India and Sri Lanka to sign the Economic and Technology Cooperation Agreement (ETCA). Its objectives go beyond the scope of the earlier proposed CEPA. ETCA aims to correct the drawbacks in the ISLFTA and arrive at an agreement on trade in services and technological exchange.

Other than ISLFTA, there exist several bilateral agreements between India and Sri Lanka like the Double Taxation Avoidance Agreement, Investment Protection and Promotion Agreement, etc. In addition, there are bilateral agreements/MoUs on Air Services, Small Development Projects, cooperation in Small Scale Industries, Tourism, Telecommunications, Science and Technology and the like. Among the recent bilateral agreements, Civilian Nuclear Co-operation is the most significant. It envisages exchange of knowledge and expertise, sharing of resources, capacity building and training of personnel in peaceful uses of nuclear energy. Moreover, both the countries have agreed to expand cooperation in defence and security, culture and agriculture.

Due to the proximity of the territorial waters of both the countries, incidents involving fishermen of either side crossing the International Maritime Boundary Line have been reported frequently. Though both the countries have worked out certain practical arrangements to deal with such incidents, it has always remained a matter of contention between the two countries. In 2016, both the countries agreed to set up a Joint Working Group (JWG) on Fisheries in order to help find a permanent solution to the fishermen issue.¹⁹

Investment

Along with the rising trend in bilateral trade between the two countries, the last decade also witnessed a spurt in direct investment by Indian companies. Several leading Indian private sector companies have been making significant investment in Sri Lanka. Since 2003, India is one of the top four investors in Sri Lanka with cumulative investments of over US\$1 billion. Indian investment has spread over a wide spectrum of areas like petroleum retail, IT, financial services, telecommunication, real estate, hospitality and tourism, banking and food processing (tea & fruit juices), metal industries, tyres, cement, glass manufacturing, and infrastructure development in the fields of railway, power and water supply. The NTPC, Power Grid Corporation of India, Cairn India, TATA group, Lanka Ashok Leyland, Larsen & Toubro, Aditya Birla group,

17. Ibid.

18. Ibid.

19. Ministry of External Affairs (2017), Sri Lanka Brief, Govt. of India, November, p.5

Mahindra group, Bharati Airtel, HCL and ICICI Bank are some of the leading public and private sector investors from India. In addition, several new projects are at different stages of implementation. These include the proposals of South City, Kolkota for real estate development in Colombo (US\$400 million), Tata Housing Slave Island Development project along with Urban Development Authority of Sri Lanka (US\$430 million), and 'Colombo One' project of ITC Ltd. (US\$300 million).²⁰

At the same time, Sri Lankan investment in India has also been on the rise during the last decade. Some of the prominent names include Brandix (over US\$1 billion investment in the Brandix India Apparel City in Vishakapatnam), MAS holdings, John Keells, Hayleys, Aitken Spence (Hotels), and investments in the freight servicing and logistics sector.²¹

High Level Exchanges

Several high-level exchanges of visits including ministerial visits are organised at regular intervals to build healthy relationships and achieve rapid progress on development projects in various sectors like health and family welfare, fisheries, railways, tourism; to boost trade and investment and to foster maintenance of peace and security in the Indian Ocean. Business chambers of the two countries are also keeping close linkages to promote business investments by companies belonging to both the countries.²²

Defence

There exists a healthy engagement between the two countries on defence and security including maritime safety and security issues in the Indian Ocean. Periodic navy-to-navy staff talks, joint exercises of Coast Guards of India, Sri Lanka and Maldives, etc., are held. India has committed to build and supply two Advanced Offshore Patrol Vessels for the Sri Lankan Navy. There are plans to arrange training, capacity building and joint surveys involving the defence forces.²³

The China Factor

Sri Lanka has had an amicable relationship with China since the 1950s. During the first decade of the present century, however, the bilateral relationship became closer and stronger particularly due to the strong support China extended to Sri Lanka during the war against the LTTE. China not only supplied military hardware, but also extended diplomatic support to Sri Lanka at various international human rights forums.²⁴

China has considerable strategic interests in the island nation. Apart from its geographical proximity to India, Sri Lanka is located close to the international trade routes that are very important for China. India perceives China's growing presence in this region to be a means to secure a military foothold in Sri Lanka as part of its encirclement strategy to contain India. India has been greatly concerned about Sri Lanka's deepening ties with China, particularly during the tenure of the government that was in power during and immediately after the conflict. Although the subsequent government that came to power in 2015 had displayed intentions to strengthen bilateral cooperation with India, things on the ground have not changed much.²⁵

20. High Commission of India, Colombo (2015), Op.cit.

21. Ibid.

22. Ministry of External Affairs (2018), Annual Report, 2017-18, Govt. of India, p.VII

23. —. (2017), Annual Report, 2016-17, Govt. of India, p.22

24. Ramachandran, Sudha (2015), A New Era for India-Sri Lanka Relations?, <https://thediplomat.com/2015/02/a-new-era-for-india-sri-lanka-relations/>

25. Ibid.

While some grant assistance is also provided, most Chinese assistance is in the form of either non-concessional loans or export credits. Non-commercial loans often carry high rates of interest and strict conditions. For example, a US\$306 million Chinese assistance for Phase-I of the Hambantota Port project has a 6 per cent interest rate and a repayment period of 11 years with a one-year grace period. Conditions related to loans include insistence on keeping Chinese companies as project contractors and procurement of a major proportion of the equipment, materials, technology and services from China.²⁶

As loans from China have largely been used for infrastructure projects like roads and bridges, power, ports and aviation, from which returns could not be expected in the short run, Sri Lanka now finds repayment difficult. During the last decade, China has become the largest investor in Sri Lanka. Several Chinese agencies have sanctioned loans worth around US\$7.4 billion for infrastructure projects during the 2006–2017 period. The major China-funded infrastructure projects in Sri Lanka include the deep-sea Hambantota Port and its related projects (over US\$1.3 billion), the port city on reclaimed land off Colombo (US\$1.4 billion), a China-owned container terminal at Colombo Port (US\$500 million), Puttalam Coal Power Plant (US\$455 million), different water supply projects (over US\$850 million), and expressways and highways (worth more than US\$2 billion).²⁷

As explained earlier in this chapter, Sri Lanka requires substantial development finance for the rebuilding of its economy and infrastructure. Since India's development assistance capacity at present cannot match China's, it is likely that the latter will continue to have considerable presence and influence in Sri Lanka. Only through improved bilateral development cooperation initiatives and a better understanding of each other's concerns can India and Sri Lanka build a more congenial environment so that Sri Lanka would be able to balance its relationships with India and China more effectively in the near future.

26. Amarasinghe, Dhanusha and Rebert, Johann (2013), Dynamics and Trends of Foreign Aid in Sri Lanka—Exploring Space for Context-Sensitive Aid Delivery, Research Summary, International Alert, p.12

27. Department of External Resources, Govt. of Sri Lanka.
http://www.erd.gov.lk/index.php?option=com_content&view=featured&Itemid=101&lang=en

INDIAN HOUSING PROJECT FOR INTERNALLY DISPLACED PERSONS – FEATURES, EFFECTIVENESS AND IMPACT

The general details and background of the Indian Housing Project (IHP) for Internally Displaced Persons (IDPs) in Sri Lanka are provided in the first part of this chapter. The relevance, effectiveness and impact of the IHP are analysed in the second part based exclusively on a field study that was undertaken among the beneficiaries of the project in Northern Sri Lanka. Based on the interactions during the field study, a few case stories are narrated in the third and final part.

Part I

Indian Housing Project for the Internally Displaced

Introduction

Humanitarian assistance has become an integral part of India's development cooperation policy. While emerging as an important non-OECD/DAC development assistance donor, India has already established itself as a major non-Western humanitarian donor as well. While helping people and governments during times of natural disasters/conflicts, humanitarian assistance generates goodwill and creates a positive image of the donor internationally. Some of India's major humanitarian assistance efforts include providing a home to thousands of Tibetan Refugees in 1959 and millions of refugees from Bangladesh (then East Pakistan) in 1971, providing relief materials to the civilian population in Jaffna (Sri Lanka) in 1987, and assistance to different countries after the Indian Ocean Tsunami in 2004. India's humanitarian outreach has been advanced to several countries in the past including Sri Lanka, Maldives, Nepal, Pakistan, Afghanistan, Indonesia, Haiti, Guyana, etc., during times of natural disasters.¹

India's housing project for the IDPs in Sri Lanka after the protracted armed conflict is perhaps one of the most significant Indian development cooperation initiative in recent times. For a better understanding of the project, let us briefly discuss its background and salient features before analysing the information collected through a detailed field study conducted in Northern Sri Lanka among the beneficiaries of the IHP.

1. Meier, Claudia and Murthy, CSR (2011), India's Growing Involvement in Humanitarian Assistance, GPPi Research Paper No.13, p.18

Background

The armed conflict between the Sri Lankan armed forces and the LTTE that lasted for almost three decades, ended in May 2009. The conclusion of the civil war witnessed a major humanitarian crisis with about 300,000 civilians, mostly Tamils having to be housed in camps for IDPs.² The armed conflict had destroyed or damaged houses of tens of thousands of people in the Northern and Eastern Provinces in addition to the damage it caused to the physical infrastructure and livelihood opportunities. At the end of the war, a majority of the displaced families were housed in temporary shelters in refugee camps mostly built by humanitarian agencies. Later, after their lands were cleared of landmines, many were sent in batches to their place of origin. Several others had to be rehabilitated in areas other than their place of origin. Most of those who returned to their villages found their homes destroyed, their land taken over by the local flora and wild animals.³

Although India had supported the Sri Lankan Government during the fight against LTTE, it had also conveyed its concern over the plight of the displaced Tamil civilian population. India consistently raised the need for national reconciliation through a negotiated political settlement of the ethnic conflict that would be consistent with democracy, pluralism, and respect for human rights while being acceptable to all communities.⁴

Post-War Development Assistance from India

After the civil war, India extended immediate relief and assistance to IDPs from the war zone. This included 2.5 lakh family relief packs, medicines worth INR225 million, an emergency field hospital in Pulmodai, artificial limb refitment camps in Northern Sri Lanka, and shelter material and cement for the construction of temporary shelters that were made of corrugated iron and tin sheets. Although the temporary shelters were meant to provide accommodation only for a few months, in many cases, people had to stay in them for few years until they were provided better housing facilities.

Resettlement and livelihood assistance were provided by India in the next stage. It included deployment of seven de-mining teams in residential areas. Further, in order to strengthen the local economy, a number of programmes were initiated to revive the agriculture sector as it formed the primary means of livelihood in war-affected areas. This included assistance to IDPs by the Indian Council for Agricultural Research (ICAR) in Northern Sri Lanka, provision of agricultural implements and high yielding variety seeds, 500 tractors, 55 buses to the Northern, Eastern and Central Provinces, 10,000 bicycles, boats with outboard motors and fishing nets, assistance to a fishnet factory in Jaffna, and a project led by Self-Employed Women's Association (SEWA) to ensure sustainable livelihoods for destitute women in the Eastern Province.

Soon afterwards, the Government of India (GoI), in its effort to resettle and rehabilitate the IDPs and enable them to return to normal life, chalked out a huge housing project to be implemented through signing a Memorandum of Understanding (MoU) with the Sri Lankan Government.

India's Housing Project for IDPs

The IHP for the IDPs of the civil war is the GoI's flagship project in Sri Lanka. The housing project, with a commitment of US\$270 million as grants assistance, involves the construction and repair of 50,000 houses in the Northern, Eastern, Central and Uva provinces. An MoU was signed between the GoI and the Government of Sri Lanka (GoSL) on January 17, 2012, to implement the project. This grant assistance project is among the largest of its kind ever undertaken by India in a partner country.

2. High Commission of India, Colombo.

http://www.hcicolombo.org/pdf/Indian_Housing_Project.pdf

3. Muttulingam, Thulasi (2016), 'A message to India from a Lankan housing project: 'Please tell them we said, Thank you'', <https://scroll.in/article/print/819468>

4. Ministry of External Affairs (2017), Sri Lanka Brief, Govt. of India, November, p.1

Under the pilot phase of the IHP, it was decided that 1,000 houses would be constructed for the beneficiaries belonging to all the five districts of the Northern Province. The second phase of the project involved construction or repair of 45,000 houses in the Northern and Eastern Provinces. The houses are built in an owner-driven model under which the beneficiaries are directly involved in the construction of their houses. While the GoI arranged for technical support and financial assistance, the owner-beneficiaries had to undertake the construction/repair of their houses by themselves. Funds were transferred to the bank accounts of the beneficiaries in instalments linked to the completion of the different stages of construction by the High Commission of India. Financial assistance amounted to LKR550,000 (in four instalments) per beneficiary for a new construction or LKR250,000 (in three instalments) for repairing of the damaged house.⁵ The beneficiaries were expected to contribute towards any shortfall in the grant assistance.

The pilot project construction of 1,000 houses was completed in 2012 itself. The construction and repair of 45,000 houses in the Northern and Eastern provinces were completed by 2016. The third phase of the IHP involved the construction of 4,000 houses for estate workers in the Central and Uva Provinces. The construction of these houses involved the Estate Workers Housing Cooperative Societies and beneficiary families currently living in line rooms.⁶ The work under the third phase was started in October 2016. In this phase, a financial grant assistance of LKR950,000 was provided to each beneficiary in staggered instalments. In addition to the 50,000 houses of the housing project, in 2017, the GoI had announced the construction of an additional 10,000 houses for estate workers.⁷

Implementation of the Housing Project

Although it was the GoI that funded the construction of the houses for the IDPs, it had appointed four reputed Implementing Agencies (IAs) viz. UN-Habitat, International Federation of Red Cross and Red Crescent Societies (IFRC) in partnership with the Sri Lanka Red Cross (SLRC), the National Housing Development Authority (NHDA) and Habitat for Humanity (HfH). These IAs provided technical guidance and supervision. The project was implemented by these agencies in close coordination with the GoSL, High Commission of India, and local communities.

Much care based on well-defined criteria was taken to ensure objectivity and transparency in the selection of the beneficiaries. A grievance redressal mechanism was also established to enable community members to raise grievances regarding the selection process and project implementation. Based on the complaints received, a public enquiry would be conducted by the Divisional Secretary along with the IAs.⁸

Each newly-built house had a minimum plinth area of 550 square feet with two bedrooms, a living room, a kitchen and a toilet. The beneficiary families were given the freedom to choose from a few plans and they had the flexibility to adapt the design to their own individual tastes and needs within the prescribed parameters. As the housing project followed an 'owner-driven' model, the beneficiaries were directly involved in the construction of their houses. The owner was responsible for the planning, implementation and monitoring of the construction work of the house. In order to supplement the funds allocated, the owner was expected to contribute her/his own labour. They were provided technical assistance by the contracted IAs in all activities related to the construction, including the selection of a suitable house plan, obtaining local authority approvals and land title documentation, opening and operating of special bank accounts, supervising skilled labour, and selecting quality building materials.⁹

5. High Commission of India, Colombo, Op.cit.

6. UN Habitat (2016), 'UN-Habitat Signs Agreement with the Government of India to Implement the Indian Housing Project in Sri Lanka's Central and Uva Provinces'
<http://unhabitat.lk/news/indian-housing-project-in-central-and-uva-provinces-news/un-habitat-signs-agreement-with-the-government-of-india-to-implement-the-indian-housing-project-in-sri-lankas-central-and-uva-provinces/>

7. High Commission of India, Colombo, Op.cit.

8. Ibid.

9. Ibid.

Community level initiatives, such as Village Reconstruction Committees, were formed and training programmes on construction-related activities were provided to the beneficiaries by the implementing agencies. They were also given training in cement block casting and were provided with block-making moulds in order to produce their own building materials.¹⁰ Local artisans were introduced to alternative cost effective construction practices, favourable to the local environment and contributing to local economies. For instance, many families used 'fair faced' blockwork as these walls did not necessarily require plastering, thereby saving on sand, cement and skilled labour. Beneficiaries were also encouraged to use building materials that were readily available in the local market. Clay roofing tiles were the preferred option for roof cladding. Several beneficiaries also used tin sheets from their earlier temporary shelters for verandahs. By using concrete blocks for wall construction instead of clay bricks and by utilising recycled debris, many families could reduce cost of construction considerably. Opting for pre-cast concrete door and window frames also helped many families cut costs and save timber resources.¹¹

Realising the usefulness in analysing the development effectiveness of India's housing project, a field study was carried out among the beneficiaries of the project. Detailed findings are provided in Part 2 of this Report.

Part 2

Development Effectiveness of the Indian Housing Project

Analysis Based on the Field Study

Introduction

The Indian Housing Project (IHP) for the IDPs in Sri Lanka is one of the largest post-conflict housing assistance programmes implemented globally in recent times. As part of its development cooperation initiatives, the Government of India (GoI) successfully provided housing facilities to 50,000 war-displaced families by extending grants assistance amounting to over US\$270 million. This timely humanitarian gesture transformed the lives of many of the Sri Lankan beneficiaries.

As discussed earlier, the newly constructed houses were built in a participatory manner following an innovative owner-driven model. While the GoI arranged technical support and financial assistance, the owner-beneficiaries themselves had to manage the construction or repair of their own houses. Each family was given financial assistance of LKR550,000 for the construction of a new house and LKR250,000 for the repair of a damaged house. As construction/repairs progressed, the money was transferred directly from the Indian High Commission in Colombo into the bank accounts of the beneficiaries in instalments on the recommendation of the respective implementing agency (IA). The four IAs, namely UN HABITAT, NHDA, SLRC and HfH, worked in close consultation with the national, district, divisional and village-level institutions of the Government of Sri Lanka (GoSL).

10. UN Habitat (2015), UN-Habitat Completes 16,000 Houses under Government of India's Grant Assistance in the North of Sri Lanka, http://www.fukuoka.unhabitat.org/info/news/20151014_en.html

11. High Commission of India, Colombo, Op.cit.

A Brief Analysis of the Field Study

The most effective way to assess the impact of the housing project on the displaced communities is to obtain first-hand information from the beneficiaries themselves. Therefore, a field study was conducted among the project beneficiaries of the IHP in Sri Lanka between December 2017 and January 2018. The major objectives of the field study were to analyse the relevance, effectiveness, efficiency and impact of the IHP that was implemented as part of India's development cooperation partnership with Sri Lanka. The study also aimed to give policy suggestions to enhance the efficiency and effectiveness of similar large-scale endeavours, particularly with regard to housing, in the future.

The field study was conducted in 11 sites in the Northern Province of Sri Lanka which included five sites in Mullaitivu district and six sites in Vavuniya district. Of the 11 sites, nine were Tamil villages, while the other two were one Sinhala and one Muslim (Moor) village each. The nine Tamil villages in Mullaitivu and Vavuniya districts were directly affected by the war and eight of the nine had been under LTTE control before 2009. While the Muslims in Salambaikulam village in Vavuniya Central Division had been forced to vacate the village by the LTTE, the members of the selected Sinhalese community in Mullaitivu district had to be withdrawn from the village on security grounds. Thus, the communities in all 11 selected villages were displaced during the war.

The methodology of the field study is briefly given in Box: 1.

Box: 1 Methodology of the Field Study

The IHP has been implemented in all the eight districts of the Northern and Eastern Provinces of Sri Lanka. Therefore, the Government Agents (GAs) of all the districts were contacted to get their support in organising the logistics of the field work and gather official data and information. The four Implementing Agencies (IAs) of the IHP, viz., UN HABITAT, SLRC, NHDA, and HfH were also contacted to gather authentic information. Since there were serious limitations in collecting qualitative information using orthodox questionnaire surveys, qualitative research tools such as Key Informant Interviews (KIIs), Focus Group Discussions (FGDs) and Documentation of Most Significant Case Stories (MSCS) were employed during the field study. The Stratified Random Sampling Method was used to select the sites for the FGDs following which the MSCS were identified. As there were only a few key informants, purposive sampling was done in arranging the KIIs. The samples were selected on the basis of the information received from the GAs' offices.

Although the housing project was implemented in eight districts of Sri Lanka, the study was confined to only two districts of Mullaitivu and Vavuniya in Northern Sri Lanka. Mullaitivu is considered the most conflict-affected district while Vavuniya, the adjoining district, has similarities with the Eastern districts of Trincomalee, Batticaloa and Ampara. Further, Vavuniya is the only district that had houses constructed by the NHDA of Sri Lanka.

The field study was conducted in 11 sites – 5 sites in Mullaitivu District and 6 sites in Vavuniya District of the Northern Province. The availability of the IHP and at least one other donor-supported housing scheme were the criteria considered to select the sites. In order to include ethnicity of the house recipients as a criterion in the stratified sample, one Sinhala village and one Muslim (Moor) village were selected along with nine Tamil villages. Stratified Random Sampling method was used to select the sites taking into account the level of displacement, ethnicity, resettlement and the presence of the housing projects in that area.

Qualitative research methods were employed for the study that involved the participation of 356 community members representing more than 2,000 households in Mullaitivu and Vavuniya districts. Out of a total of 356 participants in the FGDs, 303 were females. There were 41 sub-groups, out of which 30 consisted of beneficiaries of the IHP. FGDs were held at the selected sites and were arranged by the GNs. Beneficiaries of the housing project were invited to participate in the FGDs on a voluntary basis. During the FGDs, the few unusual or atypical cases were identified as the MSCS and are presented in the third part of this chapter. KIIs were also conducted in order to get an in-depth understanding of different issues for which semi-structured questions were used. District, divisional and village-level Government officials, implementing agencies (UN Habitat, NHDA, SLRC, and HfH) and relevant civil society organisations (CSOs) were also part of the KIIs.

A consultative workshop organised at the International Centre for Ethnic Studies, Kandy, in February 2018 invited academics, activists, Government representatives and CSO representatives in order to validate the findings of the study and identify further action and advocacy initiatives.



Presentations and group work during the FGDs held at Poompuhar, Kanakarayankulam and Salambaikulam villages

State of the Communities Studied

After the war, most of the displaced people had been staying in temporary shelters where they had to brave the vagaries of the weather and natural calamities, wild animals and venomous snakes. Security was also a serious issue. The trauma of the civil war, displacement, disabilities, the loss of loved ones, property and employment, and the lack of access to proper livelihoods were all typical issues among the war-displaced Tamil community. Since there was no comprehensive master plan for the resettlement and rebuilding of their lives and livelihoods, apart from housing, difficulties in accessing food, children's education, health and sanitation were major concerns.

At present, the resettled populations belonging to the 11 groups surveyed depend mainly on subsistence level small-holder farming – mainly paddy and other field crops – and livestock rearing for their livelihoods. Fishery is common in the Maritimepattu Division of Mullaitivu and working with Civil Protection Force is one of the main sources of livelihoods in the Sinhala village of Sampathgama. In all the Tamil villages, cases of missing/war-affected/war-disabled persons are common and almost each family has its own tragic story. In all the villages, including Muslim and Sinhala villages, a considerable number of people in the working-age group, particularly young men, have migrated to the cities or other countries in search of employment due to the non-availability of local employment opportunities.

Incomes from farming or fishing, however, are hardly sufficient to maintain minimum standards of living. Drought conditions have also been adversely affecting the farming activities. Recurring crop failures during the recent past have hurt local village economies badly.



A typical IHP house without modifications and another with modifications made by the beneficiary family in Oddusuddan, Mullaitivu.



A house provided by Sri Lankan Army at Poempuhar village



House built by Sri Lankan Ministry of Resettlement at Maritimpeattu



A house built with the support of Red Cross at Maritimpeattu



India Housing Project signboard at Maritimpeattu, Mullaitivu

Effectiveness of the IHP

It would be interesting to know how effectively and efficiently a major humanitarian project like the IHP was implemented. A few important aspects related to the implementation of the IHP are discussed in what follows:

- **Selection of Beneficiaries**

Almost all the FGD participants were convinced that the houses were generally given to the right people. The key informants representing Government officials at the district, divisional and village levels, implementing agencies (IAs) and CSO functionaries also supported this view. Although there were relatively few complaints about the selection of the IHP's beneficiaries, the scoring system followed in the project had prioritised families of a larger size. As a result, a few single women and widows were left out. Except in the Sinhala village of Weli Oya in Mullaitivu district, there were no complaints regarding the selection of the beneficiaries. Here, single women or widows who were left out were found to live in their old houses or with close relatives.

• *Location of IHP houses*

Land ownership was not a criterion for the selection of beneficiaries. A number of houses have been built on land previously owned by the beneficiaries/communities while others have been constructed on land given under user permit by the Government of Sri Lanka (GoSL). As a result, most houses are not built in clusters or colonies. In several locations, the beneficiaries have problems with accessing drinking water, public transport, health services and schools.

An extreme case is in Salambaikkulam, a Muslim village, where the IHP houses are constructed in close vicinity of the garbage dump of Vavuniya Town that has caused serious difficulties for people in accessing safe drinking water and clean surroundings. In fact, the difficulties in accessing drinking water was found to be felt in 9 of the 11 villages covered.

• *Implementation*

All 356 respondents who had participated in the FGDs and 33 key informants including Government officials representing district and village levels, and CSO representatives were unanimous in their opinion that the IHP has played a major role in rebuilding the lives of the displaced/resettled communities. According to senior officials, the IHP had been fully in line with the policies, procedures and priorities of the Sri Lankan Government. The houses have been constructed by maintaining the standards stipulated by the Government.

The field study revealed that the adoption of the owner-driven construction model and the transferring of funds directly to the bank accounts of the beneficiaries were appreciated by all community members and stakeholders including respondents from the IAs and Government officers at the district, divisional and village levels. The district, divisional and village-level authorities were involved in the planning, implementation and monitoring of project-related activities of the IHP. Moreover, to ensure smooth implementation, progress and follow-up actions were regularly reviewed by District and Divisional level Coordinating Committees headed by the District and Divisional Secretaries, respectively.

The overall quality and effectiveness of IHP houses were reported to be better than those constructed by other agencies. Since IHP houses were built in the owner-driven model by the beneficiaries themselves, no complaints have been reported in connection with material purchases or construction work. No serious gaps were reported in the gestation period – i.e., between the announcement and the completion of the project – regarding the implementation of the scheme either. The owner-driven system was successful in ensuring transparency in decision-making, resource allocation, disbursement and utilisation.

This was not the case with several other housing projects funded by different agencies. There were certain other projects that did not follow the owner-driven method and there were several complaints and grievances raised against them regarding the quality of the construction, quality of inputs, and issues related to fund allocations, disbursements and utilisation. For instance, in the housing projects undertaken by the Sri Lankan Army and some other agencies, the houses were constructed by the donor without any consultation with the recipient. Unlike the IHP houses (550 sq.ft.), some of the houses built were relatively small (around 350 sq.ft.). As these donor agencies had provided the construction materials, there were complaints regarding the quality of the materials and the construction work. Moreover, there were complaints related to the capabilities and efficiency of some of the implementing agencies and also regarding the transparency and accountability in decision-making and resource utilisation for houses constructed by other agencies like the Sri Lankan Army and a few other local NGOs supported by various international agencies. The beneficiaries of the IHP reported being more satisfied than others in such matters related to housing construction.

Impact of the Housing Project as Perceived by Beneficiaries

During the course of the field study, Focus Group Discussions (FGDs) were held to assess the direct and indirect impacts of the housing project on the lives of recipients. Different sub-groups were asked to list the important features of their day-to-day life in general without focusing entirely on the housing project. The listed aspects included areas such as education, health, nutrition, household equipments, livelihoods, income, economic activities, financial status, indebtedness, security status, protection, social status, etc. On receiving the houses, they were asked to rank the requested changes carried out as well as the contribution of the housing project towards this.

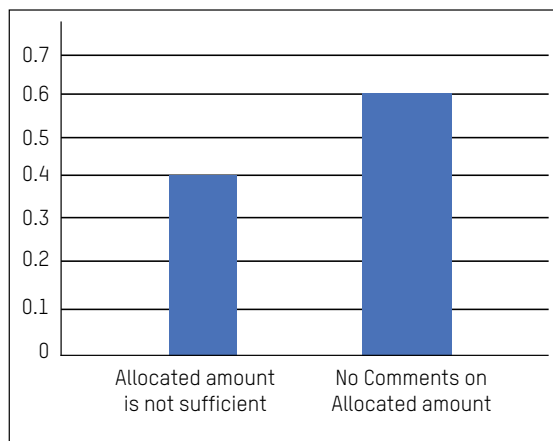
The participants had to rank the changes in each aspect as – Radical Positive Change, Average Positive Change, Marginal Positive Change, No Change, Marginal Negative Change, Average Negative Change and Radical Negative Change. Similarly, they were also asked to rank the contribution of the housing project in the listed changes as: Very High Contribution, Average (High) Contribution, Marginal Contribution, and No Contribution. Thus, based on the perception of the FGD participants, an attempt has been made to assess the level of changes in the various listed aspects in their lives as well as the level of contribution of the housing project to such changes. In the process, it became possible to assess not only the direct impacts such as the conditions of the house or availability of sanitary facilities but also some indirect impacts related to the housing project like access to drinking water, electricity supply, public transport, educational facilities and health services, household indebtedness etc. The perceptions of the project beneficiaries regarding direct and indirect changes that have taken place in this connection are elaborated as follows:

• **Housing Condition**

As reported by the participants in the FGDs conducted in all the villages, it was found that almost all of them were positive and happy about receiving a house under the IHP. Some were living under a proper roof with cemented flooring and protective walls for the first time in their lives. All participating community members, including beneficiaries of different donor-driven projects thought that the housing projects could make a very high contribution to their living conditions. The quality of the construction of houses by some other agencies was reported not to be up to the standards of the IHP dwellings.

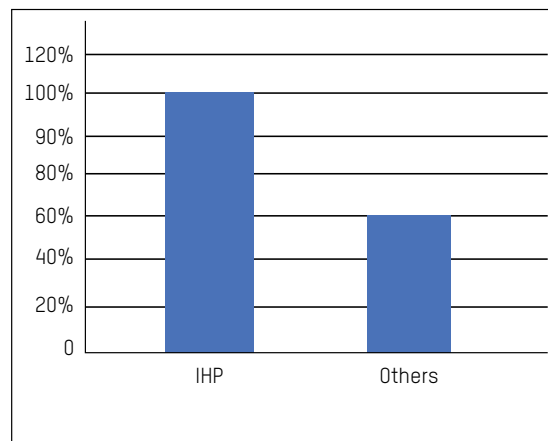
While 60 per cent of the IHP beneficiaries did not make any comments regarding the adequacy of the allotted amount, 40 per cent thought that the amount was insufficient as many of them could not complete associated works such as plastering, fixing window shutters, fixing internal doors, etc. within the IHP allocation (see Figure: 3.1). It was observed, however, that 80 per cent of the IHP beneficiaries could later on make further improvements to the houses they received.

Figure 3.1



Level of satisfaction about the Allotted Housing Finance

Figure 3.2



Level of satisfaction about the Sanitary Facilities in IHP and other projects.

- **Sanitary Facilities**

Since attached toilets are provided in each IHP house, all the beneficiaries surveyed reported improvement in sanitary facilities. They ranked the project contribution as very high or radical in bringing positive changes in sanitary facilities (see Figure: 3.2). The rating was comparatively higher among women groups in this regard. In some other housing projects, toilets were not included in the scheme.

- **Access to Drinking Water**

As most of the houses were constructed on available land owned by beneficiaries, access to safe drinking water could not be assured in the site selected by the IHP. For 9 of the 11 sites surveyed, a lack of adequate access to safe drinking water was a major concern.

As mentioned earlier, the worst situation was in the village Salambaikulam in Vavuniya district where the houses were constructed near a garbage dump of the Vavuniya Town Council. This was not an issue for the villagers before the displacement since no garbage dump existed then. But after the conflict, as Vavuniya Town grew, huge amounts of garbage was dumped close to the village. Since the ground water in the village was also polluted, the villagers reported having to travel long distances to fetch drinking water. In most of the surveyed villages, in addition to the difficulty in accessing drinking water, most families found it hard to bear the cost of digging private wells. In several villages, community wells are used. Regarding drinking water, as per the respondents, the project contribution to the negative situation is ranked as very high by 60 per cent, average by 30 per cent and marginal by 10 per cent (Figure: 3.3).

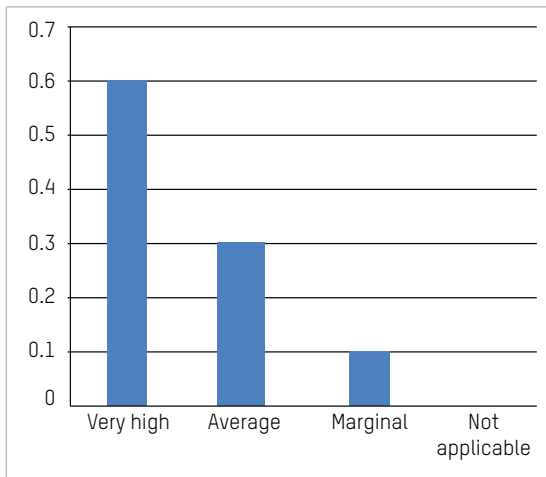


Garbage dump near Salambaikulam village in Vavunia

- **Electricity Supply**

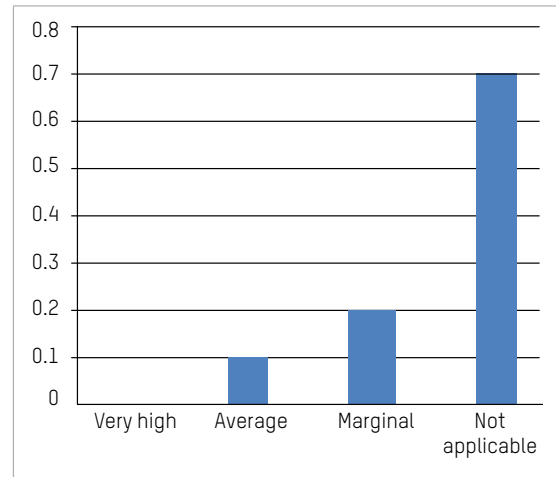
Electricity provision was not a part of most housing projects including the IHP but various Sri Lankan Government schemes have enabled the development of the electricity grid in the region leading to the provision of domestic connections to the beneficiaries. It was revealed during the FGDs that most of beneficiaries were enjoying the availability of electricity in their homes for the first time in their lives. All the FGD participants ranked the project contribution to be very high in making positive changes in the provision of electricity supply. Interestingly, some of the families had already started making use of domestic connections to engage in home-based productive activities to improve family incomes.

Figure 3.3



Perception on the contribution of the Project to the negative situation related to drinking water.

Figure 3.4



Perception on the contribution of the Project to the negative situation related to Interior Roads and Transportation.



Electrical appliances in an IHP House in Oddusuddan, Mullaitivu.



A fodder chopper used by an IHP beneficiary in Oddusuddan for income generation.

• *Transport facilities*

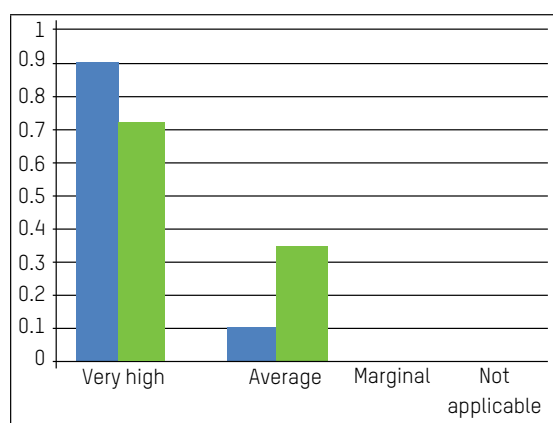
Almost all respondents reported negatively regarding transport facilities (see Figure: 3.4). This was basically due to the poor condition of interior roads and a lack of public transportation system. Although the main roads were renovated and lots of vehicles including long distance public buses have been operating on them, many people in the villages do not have proper access to such roads and transportation. Irrespective of the various housing projects, this was a common issue affecting most beneficiaries. According to 70 per cent of participants, however, this issue was external to the housing projects.

• Education

Except in one sub-group, respondents in all other sub-groups reported positively about improvements in education facilities (see Figure: 3.5). While 90 per cent of men considered it to be very high, about 65 per cent women reported no such remarkable improvement. All the women's groups appreciated the availability of Early Childhood Care and Development (ECCD) facilities. The housing facility had provided a space for children to study and attend school regularly. One sub-group, comprising of young Muslim girls, did not agree with the common perception regarding considerable improvement in education facilities as they felt there were only limited opportunities for continuing their education, especially for higher education or vocational training for girls. There were also complaints about lack of facilities at schools and non-availability of teachers.

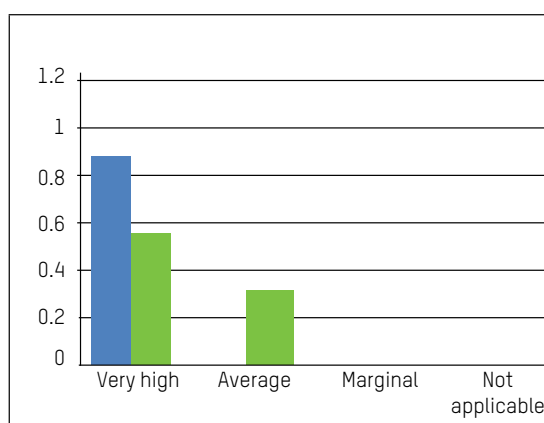
While there were some improvements in local school education as part of the post-war rehabilitation work, it appears that much more needs to be done to upgrade schools in the affected areas and to provide equal opportunities for children from these families. Project contribution to the improvements in education facilities is found to be a common phenomenon in all housing projects. Thus, the positive changes in children's education can be considered as a significant indirect impact of the housing project.

Figure 3.5



Perception on the contribution of the Project to the improved education facilities.

Figure 3.6



Perception on the contribution of the Project to the improved health facilities.

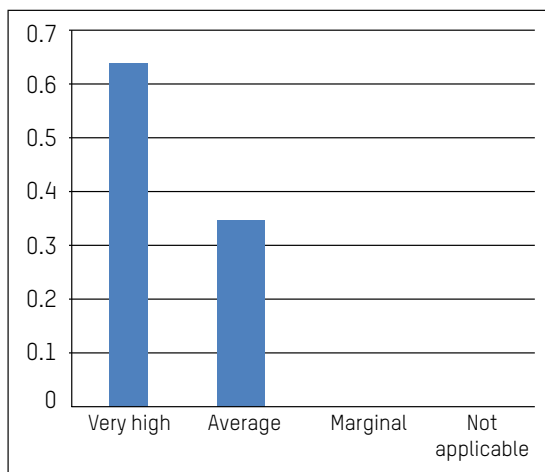
• Health

Significant improvements were reported during the FGDs with regard to general health including child, maternal and elderly health. The contribution of the housing project to the improved health status was ranked to be very high by all the women's groups whereas only 62 per cent of the men rated it to be very high and 38 per cent rated it as average (see Figure: 3.6). Although the health status was reported to have improved considerably, a lot more is required to be done to improve health services for ensuring the basic rights of the resettled communities in this regard. Improvements in the health status of beneficiaries could, thus, be considered as a significant indirect positive impact of the housing project.

• Nutritional status

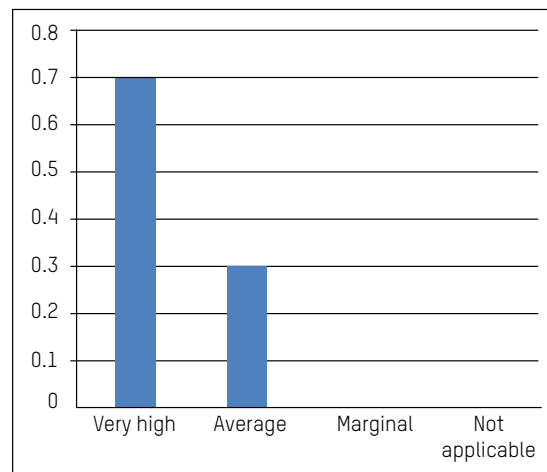
Almost 90 per cent of the beneficiaries reported positive improvements in the nutritional status of their family members. About 65 per cent considered the contribution of the housing project to be very high while 35 per cent thought it to be only average. Both men and women had the same perception (Figure: 3.7). Like the improvement in the health status, nutritional status had also made progress. Improved household nutritional status is yet another indirect positive impact of the housing project.

Figure 3.7



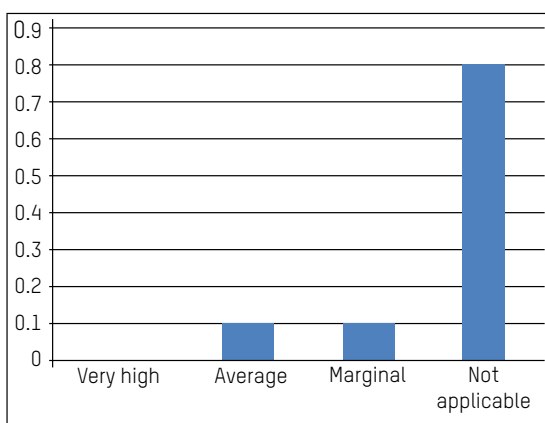
Perception on the contribution of the Project to the improved nutritional status.

Figure 3.8



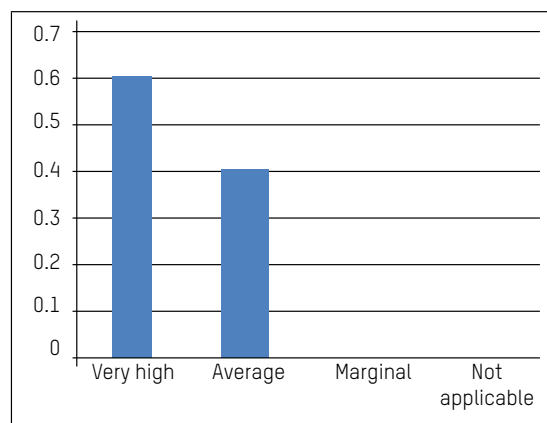
Perception on the negative change in the local economy without considering project contribution.

Figure 3.9



Perception on the contribution of the Project to the negative situation related to the local economy.

Figure 3.10



Perception on the contribution of the Project to the negative situation related to increased indebtedness of households.

• Local economy

The health of the local economy is crucial to the well-being of the communities affected by the war. Most respondents (70 per cent) believed that the local economy had declined considerably in recent times (see Figure: 3.8). The main reason for the negative changes, the respondents stated, were repeated crop failures due to drought. A dearth of off-farm employment opportunities and repayment burden of loans were also perceived to be the other main reasons. However, majority of the beneficiaries (80 per cent) thought that the contribution of the housing project to the deterioration of the local economy was non-significant (see Figure: 3.9). However, one-fifth of the respondents felt that the housing project had a negative impact on the local economy to some extent as the burden of repayment of loans and consequent indebtedness had affected their purchasing power, thereby, adversely affecting the local economy.

• *Indebtedness*

About 60 per cent of the respondents believed that the contribution of the housing projects to indebtedness was very high (see Figure: 3.10). Although housing construction cost overruns formed an important basis to their reasoning, other factors including availing of loans for improvements on dwellings for plastering walls, colour-washing, renovation and extension of the house etc. were also significant. The so-called 'easy-payment' system to enable purchase of household durable items such as furniture, televisions, washing machines, other electric and electronic equipments etc. was another major contributor to the increase in indebtedness. When people got a new house to live, it was natural that they would try to buy furniture and other household utensils. The leasing companies were found to be exploiting the economic vulnerability of the beneficiaries. It was reported that most of the money leasing companies had links with the power-holders. This is a grave social problem that was found to be common to the beneficiary communities of all housing projects. Growing indebtedness, thus, formed a major indirect negative impact of the housing project.



A leasing company promoting 'easy payment' sales on the roadside in Mullaitivu.



An IHP house in Muththaiyan Kattukulam with no power or water connection, but with an automatic washing machine kept in the sitting room.

• *Household Durables*

It was necessary for beneficiary families who had lost almost everything during the conflict to furnish and equip newly obtained houses. Almost all families were reported to have spent large amounts to purchase household durable items for their new homes. As mentioned earlier, many of such purchases were done through loans obtained via 'easy-payment' schemes or micro-financing schemes. Beneficiaries of all housing projects reported experiencing considerable improvement in their living conditions and household status through the acquisition of furniture and other household durables. While they attained improvements in the household with newly obtained household equipments and gadgets, many families became heavily indebted in the process. A direct positive impact of the housing project is, thus, stymied by the negative impact of indebtedness.

• *Status and Position of Women*

During the FGDs, the status and position of women were considered at two levels – at the household level and at the community level. Positive changes were reported at both levels, mostly linked to the creation and/or sustainability of household-based economic activities. Household affairs were not considered an economic activity by both women and men in all the communities surveyed. However, the contribution of women to household income positively influenced the status and position of women in all the surveyed villages. After the construction of new houses, the contribution of women to household income was higher than before and it enhanced their status and position in the household as well as in the community. Almost all surveyed groups reported overall improvements in the status and position of women and this was primarily attributed as a contribution of the housing project. All female participants responded positively in this regard. The rise in the status and position of women were reported positive by all the beneficiary households as well.

• *Protection and Security*

After moving into the newly constructed houses, all the surveyed groups reported a positive improvement in the matter of protection from the fury of nature, wild animals etc. All unquestionably rated the contribution of the housing project in improving personal and familial security.

Though not directly related to the housing project, growing alcoholism and drug abuse among beneficiaries were identified as a serious social issue by many respondents during the FGDs. Over the last few years, several cases have been reported on instances of child abuse and violence against women. Although 60 per cent of respondents remarked that the contribution of the housing projects in this regard was marginal, some believed that 'outsiders' who had come as construction workers or as vendors to sell various household items or as representatives of the leasing companies had a role in the increased use of drugs and alcohol among the local population. A lack of societal control systems and the promotion of alcohol and drugs by external agencies were largely recognised as the main contributing factors for this growing menace.

• *Psychosocial well-being and mental health*

Of all the various housing projects surveyed, except for the one in the Sinhala-majority village, the FGDs revealed adverse impacts on the villagers' psychosocial well-being and mental health due to the armed conflict and the resultant deaths, injuries, missing of family members etc. among the war-displaced beneficiary families. According to the FGD respondents, the housing project had no role in the prevailing negative status quo.



War-disabled young lady at an FGD in Kanakarayankulam



Dwelling of a non-beneficiary at Poompuhar

• *Impact on the Community*

Most respondents reported positive impacts of the housing project for their communities, especially with regard to issues such as child marriage, care of the disabled and the elderly, and also on the environment. Nearly 65 per cent reported positive changes and rated the contribution of the housing project to be high or average regarding these subjects. The housing project is also reported to have helped in strengthening community ties and cooperation among the beneficiaries. For instance, there were several cases where communities provided help by organising 'shamadana' or voluntary activities conducted at the community level to support those most impacted by the war, including the families of widows and people with disabilities or other limitations in the construction of the houses allotted to them.

Highlighting other Requirements

A few other issues were also highlighted over the course of the FGDs. With most men having migrated outside their villages to seek employment, the authorities need to provide income-generating activities in these areas, especially for women and educated youth. Opportunities for vocational training and higher studies also need to be addressed. With repeated crop failures due to drought, efficient irrigation facilities are a key requirement. Technical inputs, extension of advisory services and marketing facilities also need to be created for farming communities. Effort also needs to be made to improve facilities such as libraries, street lamps, and playgrounds, while sports, recreation and cultural activities need to be further encouraged in these areas.

Consultative Workshop

A consultative workshop that witnessed the participation of academics, activists, Government functionaries and CSO representatives was held in February 2018 to validate the findings of the field study and to identify further action points including advocacy initiatives. The consultation identified the IHP's 'Owner Driven System' as a good practice and recommended its continuation in future development and rehabilitation projects.



Scenes from the Consultative workshop held on 17 February, 2018, at the Centre for Ethnic Studies in Kandy

As there were a few cases of deprived and vulnerable people including single women, widows, disabled people and their families being excluded from housing allotment, many attending the consultation suggested adopting a more comprehensive, flexible and sensitive scoring system to select the right beneficiaries. It was felt that if there were some practical difficulties in selection, the Government must provide special support to those excluded. Further, systems need to be put in place to ensure participation of the beneficiaries in decision-making and to maintain transparency and accountability in the allocation, disbursement and utilisation of resources.

Since high level indebtedness was reported, creating awareness among communities on budget management and how to efficiently engage with the leasing companies regarding the purchase of durable household articles were considered to be important points of action. Further, since there were issues such as inadequate access to clean drinking water, health services, educational facilities, public transport, etc., donor agencies in consultation with the recipient Government are required to be more strategic in the provisioning of such basic amenities as a part of these housing projects.

The participants of the consultation also championed community-based systems to be set up in order to rein in the menace of alcohol and drug abuse. It was felt that arrangements should be made to establish an effective grievance redressal mechanism. The consultation also highlighted the need to set up a comprehensive system to find the truth on missing people as an integral part of the resettlement and reconciliation process. Resettlement projects in the future, experts believed, should evolve a development plan for empowering beneficiaries through implementing a comprehensive resettlement package consisting of housing, livelihood support and basic social support services. Donor agencies such as the Government of India should play a major role in extending support and in influencing the recipient government to fulfill the latter's duties in making available basic requirements for the rehabilitation and reintegration of the resettled beneficiaries, thereby enabling them to lead a life with dignity.

Part 3

One Project, Many Stories

A few case stories identified during the field study are narrated below:

Case 1: Entrepreneurship to Script a Secure Future

Saroginie is a war widow living in Muththaiyan Kattukulam in Oddusuddan, Mullaitivu District. Her husband has been missing since 1999 when 'Operation Jayasiruru' was launched by the Sri Lankan Army. Before that unfortunate incident, Saroginie was an ordinary housewife with two young children, an infant and a two-year-old. There were financial difficulties as her husband was unable to earn a sufficient income from small-scale subsistence farming to regularly meet basic family needs. After her husband's disappearance, Saroginie had to restart her life with her two children with the support of her mother. Through the Indian Housing Project (IHP), she secured a permanent dwelling that she stated had improved her life alongside a support grant worth around LKR200,000 from the UNDP and some loans from a rural bank.

At present, Saroginie owns a dairy farm with 10 cows, a three-acre plot for paddy cultivation, and a homestead with other field crops, fodder and fruit trees. She serves as an example for successful entrepreneurship at the divisional, district, provincial and national levels. As per available reports and field observations, she runs her dairy farm efficiently with high effective standards. Several veterinarians are using Saroginie's farm as a demonstration unit to train local farmers to start their own dairy farm..

Saroginie lives with her elderly mother and son who has just completed his secondary education and is preparing to leave for University or a Technical College. Her daughter is already at University. Further, Saroginie has fully upgraded her house with ceramic tile flooring and consumer durables such as a refrigerator and television, among other goods. Most importantly, she is in a position today to repay more than LKR30,000 of her monthly loan instalment without much difficulty.



Saroginie in her renovated IHP house at Oddusuddan, Mullaitivu



Saroginie's dairy farm

Case 2: Lack of Employment Opportunities Limited by Language

Seelan and his wife Malar are social science graduates. They completed their Bachelor of Arts (BA) degree in Tamil, from Jaffna University in 2014. They met as undergraduates, got married recently and have now been blessed with a baby. However, both are still seeking decent employment while currently engaged in temporary work and supporting their parents' farming activities. The couple have found it difficult to earn an adequate income to renovate their newly received house. Seelan is planning to migrate abroad for employment as there are limited opportunities available locally. However, his language skills are a limiting factor when it comes to finding a secure job which would provide decent returns. The status quo should be of concern to the relevant Sri Lankan authorities since there is a possibility of long-term unemployment and/or under-employment and, more worryingly, human trafficking.

Many language coaching centres have emerged even in the rural areas of the Northern Province that operate without any regulation by a recognised agency. Although the classes offered are attractive to unemployed youth, many of them find it difficult to pay the high fees charged. While both Seelan and Malar are attending English classes with the expectation of increasing their employability, like several youth there, they too do not have a clear idea about possible employment opportunities.



Wayside advertisement of a language coaching centre to attract unemployed youth. A scene at Puliyankulam on Kandy-Jaffna main road

Case 3: A Roof to Live under as they wait for their Parents

Dulshan (14) is the grandson of a house recipient in Silawathai in Maritimpeattu Division of Mullaitivu District. His younger brother, sister, and their maternal grandmother have been waiting since 2010 for their parents who are yet to return from the Vavuniya Rehabilitation camp. According to Dulshan's grandmother, the entire family was taken into Government custody at the end of the war in May 2009.

The three children and their grandmother were released from Rehabilitation Camp-04 in Cheddikulam on July 20, 2010. While all the camps have been closed, the parents are yet to return and no one knows their whereabouts. The children, however, remain hopeful and looking forward to their return. The family does not possess a stable income at present. Their grandma is an agriculture labourer and helps in preparing roasted peanuts for a local boutique. The children also go to work in their free time to supplement household income. A charity organisation is supporting their schooling expenses. The grandmother greatly appreciated the IHP since it gave her and the children a place to live. Neighbours supported them with fulfilling the beneficiary contribution of their house construction. As in many other cases, the house is constructed on the same land where they were before being taken away to the Camp.



Dulshan (extreme left) and his siblings with their grandmother in front of their IHP house. Two other children are also seen with them

Case 4: When IHP can Serve as an Example for Other Housing Projects

K. Jamunarani, a 42-year-old widow, lives with three children in Kanakarayankulam North village in Vavuniya North. The Sri Lankan Army (SLA) had converted their home and land into a high security zone from where the villagers were displaced in early 2000. The main livelihoods of the villagers are farming and manual labour. After the war, the SLA provided houses for the displaced villagers who had lost their dwellings and land after the establishment of high security zones. Each house is a 350 sq.ft. construction estimated at around LKR300,000. The affected communities, however, had no participation in the decisions regarding planning or the construction work. All the houses were constructed by the SLA and the people were asked to occupy them. These houses were provided in 2011 before the IHP began. Originally, these houses were constructed as semi-permanent and were small without any toilet facilities. As the quality of construction was not up to the mark, most of these houses eventually required extensive repairs. The owners of the SLA-built houses like Jamunarani were at a clear disadvantage. They were not prioritised to get new houses from the IHP or other housing projects since they already possessed some sort of dwelling. However, recently the Sri Lankan Government, through the office of the Divisional Secretary provided LKR50,000 for kitchen renovations to selected households based on their income status.

Case 5: Indebtedness of an IHP Beneficiary Household

Kamala is a 45-year-old widow living in Muththaiyan Kattukulam in Oddusuddan, Mullaitivu District. She has three school-going children. They are an IHP beneficiary family who have done additional work on their newly allotted house while also purchasing several household goods from leasing companies under 'easy payment' schemes. Although they have fairly extensive cultivable land and tend to lead a better standard of living compared to other villagers, they have failed to realise that they are slowly being caught in a debt trap due to the purchases of too many consumer goods on credit. Cases like these indicate the need for guidance and awareness regarding family budget management to the beneficiaries of the housing project in order to prevent escalating debts.



Fancy gates bought on 'easy instalments' placed in the sitting room of a house in Mullaitivu

Case 6: Importance of Psychosocial Support in the Resettlement Programme

S. Jogarajan is a married 54-year-old man living in Muthuvinaayaga in Oddusuddan, Mullaitivu District. His family was subject to a shelling attack in 2009. He lost his elder daughter and son and was left with a disabled young daughter. The entire family, understandably, has been psychologically and emotionally affected. His wife, who continues to talk about her lost children, is undergoing psychiatric treatment. On the other hand, Jogarajan who has his own paddy and highland for cultivation, cannot properly farm due to his physical and mental health conditions. Stories like Jogarajan's abound in Northern Sri Lanka and highlight the need to provide access to proper psychosocial support systems as an inseparable component of post-war resettlement programmes.

POLICY RECOMMENDATIONS

India's development cooperation with Sri Lanka aims to improve the multi-sectoral partnerships between the two countries and assist its neighbour to achieve long-term sustainable growth. A major initiative such as the Indian Housing Project (IHP) for internally displaced persons (IDPs) in Sri Lanka extends support to the island nation's effort towards post-conflict rehabilitation, national reconciliation and the peace process. A permanent solution to Sri Lanka's ethnic problem will be attainable only if there is equal opportunity for all its citizens, including disadvantaged groups like war-displaced persons to participate in the country's economic growth.

This Chapter presents two sets of policy recommendations that are for:

- enhancing the effectiveness of housing projects
- improving Indo-Sri Lankan development cooperation.

Suggestions that came up during the consultative workshop held as part of the present study have also been incorporated in the first set of recommendations that could help improve the effectiveness of projects such as the IHP.

Policy Recommendations for Enhancing the Effectiveness of Housing Projects

1. Promoting Owner-Driven System

The owner-driven strategy followed in the IHP has been successful and appreciated by all stakeholders. According to UN-Habitat, as a result of the active involvement of the beneficiary families, the owner-driven system has the potential to strengthen family relationships and beneficiary's skills in construction and leadership. Apart from empowering both men and women, it makes them more self-reliant as well. Through the participation of the beneficiaries in decision-making and management, transparency and accountability could be ensured in resource allocation, disbursement and utilisation. As the strategy has been found to be successful and efficient, it could serve as a template to be employed in similar projects in the future.

2. Good Practices for Cost Effective and Better Quality Construction

The construction quality of stone and cement homes built under the IHP was considered to be much better than those built by other agencies. For instance, the pre-fabricated structures provided by ArcelorMittal, a leading steel and mining corporation, were found to be less suited to the people's needs and environment. Further, compared to houses built by other agencies, the IHP houses are more economical. Another reason for the efficient implementation of the project had been the construction management and coordination being entrusted to four prominent implementing agencies, including UN-Habitat, which are recognised for their good construction practices. The effectiveness of the implementation model of the IHP can be replicated elsewhere.

3. Improve Selection of Beneficiaries

A commendable feature of the IHP was the priority the Indian government had accorded to the special needs groups such as the families of war widows and war-disabled. Moreover, the IHP catered to the rehabilitation needs of displaced people belonging to all communities. Although there were a few cases of exclusion of some single women and widows, this was only because the scoring system followed in the selection process had given more weightage to the size of the family. Therefore, a more comprehensive and flexible selection process could be evolved in order to avoid leaving out any deserving beneficiary.

4. Proper Site Selection for Housing Projects

As most of IHP houses were built on land owned by the beneficiaries before the conflict, the project did not have much flexibility regarding the selection of suitable sites. The recipient country needs to be more proactive in ensuring access to facilities like clean drinking water, health services, education facilities, public transportation, etc., during the resettlement and rehabilitation of displaced populations.

5. Need for Community based Support Systems

As part of the rehabilitation of the war-displaced people, effective programmes need to be established to provide psychosocial support and grievance-redressal. Comprehensive systems to find the truth on missing people should be an integral part of the resettlement process. Further, there is a growing indebtedness of beneficiary families to leasing companies due to indiscriminate purchase of household goods for the newly built houses. Proper guidance and awareness programmes in budget management should be provided to the communities as part of the resettlement plan. Finally, since abuse of alcohol and drugs is growing amongst conflict-affected communities, a community-based system to control this creeping social menace is essential.

6. Comprehensive Packages Needed

The resettlement and rehabilitation plan for the war-displaced should be a comprehensive package including housing, livelihoods support and other basic social support services. This should be implemented by the donor and recipient Governments after joint consultations in order to make rehabilitation and reintegration of war-displaced populations more effective and enable beneficiaries to restart their lives with dignity.

7. Increase the Role for NGOs/CSOs

A greater participation of NGOs and CSOs in the implementation of donor-assisted rehabilitation has the potential to improve effectiveness, transparency and accountability in project implementation. The IHP was successful mainly because the project implementation was entrusted to four leading responsible agencies – UN Habitat, NHDA, SLRC and HfH. Involvement of local CSOs will also increase national ownership, ensure transfer of skills, help provide reliable feedback and practical suggestions for policy formulation and efficient implementation.

8. More Decentralisation for Greater Effectiveness

During the post-civil war scenario, there has been a growing tendency towards centralisation of power in Sri Lanka. For effective implementation of resettlement and rehabilitation projects, strong administrative bodies at the provincial and local levels with adequate powers are necessary to ensure local participation and make such projects more inclusive and transparent.

Policy Suggestions for Improving Indo-Sri Lankan Development Cooperation

After three decades of armed conflict, Sri Lanka requires external development assistance for economic recovery, sustainable peace and long-term development. India could play a prominent role to help Sri Lanka achieve these goals. As India's development assistance to its partner countries is demand-driven, it has the potential to be more effective and meaningful to address the needs and requirements of its partner.

Promoting development cooperation is important for both the countries in order to reap mutual gains as well as to achieve stability in the region. Recommendations for strengthening the development partnership between India and Sri Lanka include:

1. Responding to Priorities of the Partner Country

While respecting the sovereignty of the nation and aligning with its national policies, Indian assistance is extended according to the priorities and needs of the Sri Lankan government, without any conditionalities for policy changes. This principle must continue to be adhered to. The IHP, implemented in close coordination with the Sri Lankan governmental machinery at various levels is a good example. There is much scope for further strengthening the development cooperation between the two countries in different sectors.

2. Observing Donor Sensitivity

In the post-conflict context, as a donor, India needs to be careful about being sensitive to Sri Lanka's socio-political realities and dynamics. Development assistance should help promote social harmony, domestic peace and reconciliation and reduce the growth of economic inequalities in order to achieve sustainable development and welfare of the citizens.

3. Need for Donor Coordination

As Sri Lanka is steadily moving away from traditional donors towards non-traditional donors such as China and India for its post-conflict reconstruction and development activities, it would be beneficial to chalk out greater coordination among these donors. Increased donor coordination would help avoid duplication and wastage of resources and would instead help ensure that the projects can promote the well-being of targeted populations and the long-term interests of the recipient country. Such coordination would enable achieving minimum standards and quality in similar projects implemented with the assistance of different donors like in the case of the housing project for the internally displaced.

4. Emphasis on Capacity Building and Social Sector

A major share of the post-war development assistance from abroad has been invested in infrastructure development, resettlement and rehabilitation. Increased social sector investment, particularly in health and education services, is required to sustain economic recovery and growth. An over-emphasis on infrastructure development at the cost of social sector spending should be rectified. Greater educational and vocational opportunities must be provided to young women and people with disabilities. Development assistance could be utilised to strengthen Sri Lanka's institutional capabilities in capacity building in fields such as health, education and also in disaster management considering the frequent incidence of natural calamities.

5. Creating Employment Opportunities

Decades of civil war had negatively impacted Sri Lanka's economy and, in particular, the regional economies of the Northern and Eastern Provinces. There are still limited employment opportunities for youth in these war-shattered provinces of Sri Lanka. The Government has to take steps to provide gainful employment, especially for educated youth. The Government of India could assist its neighbour in promoting vocational training, providing opportunities to improve English language skills, helping with starting small and medium enterprises (SMEs) particularly agro-based industries, etc., to promote the livelihoods of the people in these conflict-affected regions.

6. More Citizen Participation by Involving NGOs/CSOs

Indo-Sri Lankan development cooperation projects are generally government-to-government partnerships. But many non-state actors like NGOs/CSOs have a considerable grasp of the ground realities and the genuine needs of people. Engaging such agencies with ample experience and sectoral expertise during the planning and implementation stages will enhance the effectiveness of development cooperation projects. Their involvement could also increase the public participation, reduce corrupt practices and increase transparency and accountability in project management.

7. Transparency and Accountability

Compared to traditional donors and international multilateral agencies, projects assisted by non-traditional donors are often less transparent due to the non-availability of detailed and/or timely data and information related to the development projects. Information related to various development projects initiated by both the partners, their trade and investment details and the like should be made available to Parliament and in the public domain. Regular monitoring and evaluation of the projects together with opportunity for public scrutiny would improve transparency as well as accountability.

8. Need for Improving Bilateral Relations

While Sri Lanka is apprehensive of India's hegemonic domination as a regional power, India has serious concerns about Sri Lanka's growing ties with China and for abetting Chinese military presence in the region which poses a major threat to India. Moreover, India has reservations about the treatment meted out to Indian Origin Tamils (IOTs) living in Sri Lanka. Another bone of contention between the two countries separated by a narrow strait is the fishermen's issue. There are several instances in the recent past when fishermen from either side have been detained for allegedly crossing the territorial waters leading to tensions. These disputes, contentions and distrust between the countries should be neutralised through dialogues and trust-building initiatives from either side in order to reap greater mutual benefits from development cooperation partnerships.

9. Development Cooperation to Reduce Indebtedness

Sri Lanka is increasingly depending on non-traditional donors like China for financing its massive post-conflict reconstruction of socio-economic infrastructure. This financing has often been executed through commercial borrowings at high rates of interest and shorter repayment periods. At present, Sri Lanka is weighed down heavily with considerable debt. Although India cannot match the financial resources of China, it could help Sri Lanka in reducing its debt burden at least to a small extent by extending more concessionary loans and grants assistance and through promoting trade and investment activities, particularly by the private sector. As Sri Lanka depends mainly on imported petroleum and coal to meet its energy requirements, both countries could consider research collaborations and technology transfers in alternative technologies such as solar and wind energy, among other sources.

10. Ensuring Development Effectiveness and Sustainable Growth

With coordinated efforts on the part of both countries, more effective project management and provisions for the availability of larger resources including development finance are required to make India's development cooperation partnership with Sri Lanka more effective. Efficient planning, implementation, evaluation and dissemination of relevant information should be facilitated in order to improve transparency, accountability and development effectiveness of projects undertaken.

To conclude, India's development assistance programmes in the post-conflict scenario should aim at assisting Sri Lanka in the reconstruction and expansion of its economic and social infrastructure, the rehabilitation and reintegration of its displaced people and in achieving peace, reconciliation and long-term sustainable growth.

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