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Executive Board
Second Regular Session

Rome, 12 - 15 May 1998

COUNTRY STRATEGY OUTLINES

Agenda item 4



Distribution: GENERAL
WFP/EB.2/98/4/3

2 April 1998
ORIGINAL: ENGLISH

COUNTRY STRATEGY OUTLINE - SRI LANKA

ABSTRACT

Sri Lanka is a low-income, food-deficit country (LIFDC). About 60 percent of the national diet is based on cereals. Nearly 45 percent of its cereal needs are met through imports. Over 35 percent of the population live below the poverty line (established by the World Bank at a per capita income of one dollar a day). This estimate of the poor does not include the population in the North-East, which has particularly suffered from economic hardships caused by the ethnic conflict that has been going on for the last 15 years. Therefore, the real percentage of the poor in Sri Lanka is much higher than this figure indicates. About four fifths of the poor households live in rural areas. Most of these households are made up of agricultural labourers and subsistence farmers.

Under this Country Strategy Outline (CSO), WFP's response to the problems of hunger and poverty in Sri Lanka will focus on assisting the victims of the ongoing conflict and enhancing the food security situation of men, women and children of poor households. This CSO will cover a period of three years, from the beginning of 1999 to the end of 2001, to synchronize it with the termination dates of the ongoing five-year Country Cooperation Framework (CCF) of UNDP and the Country Programme of UNICEF, which in turn are linked to the annually rolling five-year Public Investment Programmes (PIP) of the Government.

The activities planned in the framework of the CSO, which will be implemented through a three-year Country Programme, are: a) relief assistance to sustain those who have been internally displaced during the conflict period; b) assistance to the victims of the conflict to rebuild their lives in the post-conflict period; c) promotion of sustainable food security for poor subsistence-level farmers through the rehabilitation of small-scale irrigation schemes; and d) assistance to the poor landless to become self-reliant in their food needs through settlement under major irrigation schemes. Close collaboration with other agencies of the United Nations system and NGOs is planned in implementing these activities. Support from bilateral donors will be sought to enlarge the scope of WFP-supported activities. The total level of WFP development and relief assistance over the three years of this CSO is estimated at 19.5 million dollars, of which 7.5 million dollars will be for development projects.

As part of WFP's Commitments to Women, the WFP country office will work with the Government to ensure that in all new major irrigation settlement schemes: a) at least 25 percent of new allotments are given to households headed by women; and b) land allotments to married people are made in the name of both husband and wife.

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for consideration to the Executive Board.

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

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FOOD INSECURITY AND THE HUNGRY POOR

Food insecurity at the national level

1. Sri Lanka is a low-income, food-deficit country (LIFDC). Rice and wheat make up nearly 60 percent of the Sri Lankan diet. Notwithstanding continuous efforts to become self-sufficient in cereals, there is still a significant dependence on imports. In recent years, Sri Lanka has been importing nearly 45 percent of its cereal requirements. Food availability in general has been low; the average daily per capita requirement of 2,200 calories has become increasingly difficult to meet. Food supplies have to be substantially above the average requirements if low-income households are to improve their food intake. In several years food supplies have fallen short of providing the average caloric requirements;¹ this has had serious repercussions on poor households who already consume less than the required levels. The FAO Household Food Security Index for Sri Lanka is 84.7, according to the FAO Report for 1997. In South Asia, Bangladesh is the only country with a lower index.
2. The country has followed a comprehensive programme of economic reforms since 1978. Its economy grew at an average rate of about four percent a year, resulting in an annual growth in per capita income of around two percent. Despite this growth in nominal income, the average real per capita income in dollar terms has declined from 294 dollars² in 1981-85 to 233 dollars in 1986-90, and further to 188 dollars in 1991-96.³ A stark fact is that nearly two decades of economic reforms have not been able to arrest the poverty problem in Sri Lanka.
3. On the basis of the World Bank's "dollar-a-day" criterion of poverty based on Purchasing Parity Exchange Rates, 35 percent of Sri Lankans were estimated to be poor in 1990-91. This estimate excludes over 2.5 million people, representing about 15 percent of the population, living in the conflict-affected North and East. A relatively high incidence of poverty and tight food supplies are major determinants of the prevalence of malnutrition in Sri Lanka.
4. Survey results indicate that in 1995, about 38 percent of Sri Lankan children in the age group of three to 59 months were underweight. Underweight prevalence of over 20 percent is regarded as "very high" malnutrition according to World Health Organization (WHO) standards. The 1995 survey also found that 24 percent of children were stunted (inadequate height gain relative to expected standards), nearly one out of five children had low birth weight (less than the expected standard 2.5 kilograms), and 33 percent of expectant mothers were anaemic. Maternal undernutrition, which is manifested chronically as short stature, is the major cause of low birth weight children.
5. Sri Lanka has had a public-sector-led development strategy which has emphasized human development and has achieved much progress in this area. The Human Development Index value for Sri Lanka, according to the UNDP Human Development

¹ See Annex I.

² All monetary values are expressed in United States dollars, unless otherwise stated. One United States dollar equalled 61.60 Sri Lankan rupees in March 1998.

³ International Monetary Fund, *Sri Lanka, Selected Issues*, 1997.



Report for 1997, is 0.71. This is higher than the indices of other South Asian countries. However, there have been insufficient economic growth and inequitable distribution of incomes, which have contributed to the pervasive problems of poverty and malnutrition. Large-scale public expenditures have resulted in a capacity to ensure survival, while the capacity to ensure adequate income and nutrition to those who survive has lagged behind.

6. At present, the people whose livelihoods and food security have been most drastically disrupted are those living in the North-East, the centre of an ethnic conflict which has escalated into a civil war situation. The conflict has had a devastating impact on the whole economy. A recent study estimates that the net economic cost of the ethnic conflict could have been equivalent to over 112 percent of the gross domestic product (GDP) in 1995. Over 50,000 people have been killed in the North-East region, directly affected by the conflict and massive displacements of populations; widespread destruction of infrastructure and property has taken place. Several areas are now emerging from the conflict and gradually returning to conflict-free life. The Government of Sri Lanka has a policy of striving for a political solution to the ethnic problem. In the Jaffna district, which is now declared by the Government a conflict-free (cleared) area, local elections have been held for the first time in 15 years.

The target population

7. The prevalence of a hunger problem in Sri Lanka is reflected in the relatively high child and maternal malnutrition rates. At the same time, poverty estimates indicate that about 35 percent of the population experience inadequate food consumption, although they allocate a large share of their meagre incomes to food. In fact, the World Bank poverty line criteria suggest that the poor need to allocate about 83 percent of their income to food. The degree of the shortfall in food consumption by the poor has not been estimated recently. However, an earlier study revealed that the lowest 30 percent of the population consumed under 70 percent of their minimum energy requirement.¹
8. The hunger problem in Sri Lanka is predominantly a rural phenomenon. Rural areas account for about four fifths of the poor. It is also in rural areas that the poorest of the poor are concentrated. Agricultural and animal husbandry workers as well as those who work as farm machinery operators account for one quarter of the poor. They are essentially landless. Another 20 percent of the poor come from households whose main income earners are subsistence-level farmers of paddy, vegetables, *chena* (slash-and-burn cultivation) crops and other mixed crops. Sixty-four percent of landholdings in the rural sector are under 0.8 hectare. These subsistence-level farmers seek supplementary incomes through off-farm wage employment.
9. The economic welfare of the landless poor and the small farmers in the Dry Zone² is highly dependent on rainfall patterns. The timing and intensity of seasonal rainfall determine the degree and success of paddy cultivation, the mainstay of domestic agriculture. In parts of the Dry Zone where there are no major irrigation systems, paddy cultivation is limited to the main rainy season (*Maha*).³ Even within this season, crops may

¹ International Food Policy Research Institute *Research Report 13*, 1987.

² The Dry Zone, which constitutes two thirds of the country, is defined as the area receiving less than 2,000 mm of rainfall annually.

³ The major agricultural season, called *Maha*, is typically from September to March; the remaining months cover the minor agricultural season, called *Yala*.



not succeed unless water can be stored for later use during the crop period. Minor irrigation water tanks, which are scattered all over the Dry Zone, serve this purpose. They are vital to the lives of the poor people who depend on the agriculture sector. In areas of the Dry Zone with major and minor irrigation schemes, child malnutrition, at 45 percent, is higher than the national average of 38 percent.

10. The conflict-affected North-East region is in the Dry Zone and is essentially rural in character. Agriculture is the source of livelihood for the vast majority of its population, but the rural infrastructure—including minor irrigation schemes and rural roads that support the agricultural economy—has been destroyed in some parts and thoroughly dilapidated in others. Hunger and food insecurity problems are most serious in this region. Over 1.3 million persons, i.e., just under 10 percent of the population, have been internally displaced at one time or another by the conflict, and most of the others have suffered economically.
11. WFP has had a relatively long history of working in the Dry Zone. It has assisted the poor subsistence-level farmers to rebuild or rehabilitate their sources of irrigation for farming. It has helped previously landless settlers in government agricultural schemes during initial periods of their seeking sustainable livelihoods. These poor and food-insecure people will continue to be the focus of WFP assistance.

GOVERNMENT PRIORITIES AND POLICIES: ADDRESSING POVERTY AND FOOD INSECURITY

Government policies and constraints

Overall policies

12. Sri Lanka has followed a two-pronged approach to poverty alleviation. On the one hand, it has strived to achieve broad-based economic growth with the expectation that benefits of growth will trickle down to the poor, and on the other it has provided a social welfare system for the benefit of the poor. As discussed earlier, the outcome of these efforts on the welfare of the poor and the food-insecure has been mixed.
13. Sri Lanka opted for economic liberalization as far back as 1978, but the growth performance has not been rapid as indicated in the relatively low increase in per capita income, which in real dollar terms has been on a decline. Past economic reforms did focus on removing trade and exchange controls, but they failed to encourage private investments in vital sectors which would have improved competitiveness in domestic industry and agriculture. Present policy attempts to change this by focusing on fundamental economic issues such as the reduction of budget deficits to contain inflation. As part of the public expenditure discipline, the Government is implementing a programme aimed at consolidating food and income transfer programmes into one programme to provide some assistance to the poorest.
14. The quest for budgetary discipline has its negative implications on poverty alleviation, particularly in the short and medium term. Rural areas, where most of the poor live, have been major beneficiaries of public-sector investments which helped increase employment opportunities for the rural poor. The Government's target of reducing the budget deficit from about eight percent at present to about 4.5 percent in the year 2000, and the market liberalization policies with removal or reduction of tariffs and taxes, will result in reduced revenues. Fewer revenues will translate into reduced public-sector investments, resulting in



scaling-down of major rural infrastructure development programmes. This will result in fewer opportunities for the rural poor to participate in wage-labour activities.

Gender orientation

15. The Government's Women's Bureau has the responsibility of working with other government ministries and programmes to ensure the absence of gender discrimination in government policy. A vital area of focus by this Bureau is various existing legislation that either explicitly or implicitly discriminate against women. The Government's main relief programme emphasizes priority attention to households headed by women and to assistance in income-generating activities for poor women.

Food security policies

16. In the past the mainstay of food security assistance to the poor was food subsidies. These food-related income transfers took several forms, including food ration entitlements at subsidized prices and food stamps. The fiscal costs of these were quite high, which resulted in attempts to target them only to the poor, and in reductions in the real value of the transfers.
17. By 1996, a number of separate transfer programmes were in place; they included cash transfers, food and kerosene stamps, and commodity subsidies. In 1975, these programmes accounted for about 16 percent of total government expenditures, or about five percent of GDP. To help generate fiscal savings and improve their efficiency, these programmes have been consolidated into a single poor relief social transfer programme called *Samurdi* (prosperity).
18. The *Samurdi* programme covers nearly one third of the population. The main element of the programme is a direct cash transfer ranging between 500 and 1,000 rupees, aimed at raising a family's income to about 1,700 rupees a month. This level of income is equivalent to about 28 dollars a month, or about 0.18 dollar per person per day for a family of five. Considering that the food price index had increased by over 100 percent between 1990 and 1996, the Sri Lanka poverty line derived for 1990/91 should now be over 3,000 rupees a month for a family. The guarantee of at least 1,700 rupees by the *Samurdi* programme is very important for Sri Lanka's poor households, but these continue to be underfed and malnourished, even with that level of income. Therefore, supplementary forms of assistance are vital for their nutritional welfare.
19. Assuring adequate cereal supplies, especially rice, has always been a high priority for the Government of Sri Lanka. With an increasing population and limited foreign resources, the pursuit of self-sufficiency in rice production is woven into the country's food policy. Development of the rice sector has been seen as almost synonymous with development of the agricultural sector. Accordingly, the rural development strategy has been dominated by investments to develop the rice sector.
20. Construction of large water storage reservoirs and land development for rice cultivation under major irrigation schemes, and maintenance and rehabilitation of a vast network of minor irrigation schemes have been the main investment avenues. Apart from contributing to increased food production, these investments have also helped in providing employment to the poor as well as in reducing the population pressure in the Wet Zone areas through settlement schemes in the Dry Zone. The scope for new viable major irrigation schemes is limited; the focus at present is on completion of the ones already undertaken (such as the



Uda Walawe scheme) and on rehabilitation of existing irrigation schemes, both major and minor ones.

21. The marginal food supply adequacy at the national level has been maintained by increasing imports of wheat, a cereal that is not produced in Sri Lanka. The Government holds a monopoly on wheat imports and wheat prices have had a history of being heavily subsidized. In the 1997 economic reforms, the wheat subsidy was drastically reduced, causing nearly a 200 percent increase in the price of wheat. This is likely to have serious repercussions on the food consumption levels of poor households because of the loss of the price advantage this staple has had over rice.
22. Recent experience has clearly demonstrated that even large stocks of food can be depleted quickly by severe cyclical droughts. The bumper crop of 1994/95 was drastically depleted by the severe drought of 1995/96, which required the import of 500,000 tons of rice. Basically, cyclical droughts are a reality and their occurrence may have serious repercussions on national and household food security.

Food aid policy

23. There has been a significant dependence on programme food aid, especially to meet the wheat requirements. For example, food aid has contributed close to 40 percent of total cereal imports during 1990-93. This contribution declined to less than 10 percent during 1995-96. Food aid flows dropped from an average of about 370,000 tons a year during the 1992-93 period to an average of about 95,000 tons during 1995-96, with WFP's contribution amounting to about seven percent of this volume.

THE RESPONSE OF THE UNITED NATIONS SYSTEM

24. Sri Lanka was one of the first countries that opted to have a Country Strategy Note (CSN) prepared under the auspices of the United Nations system. However, there has been a policy change on this and a CSN is not being prepared at present. Pursuing a Common Country Assessment process is not seen as a priority, since there are no basic data problems. As for the preparation of a United Nations Development Assistance Framework (UNDAF), further instructions based on the outcomes of the pilot studies are awaited.
25. The Government's planning process is based on the annually rolling five-year Public Investment Programme (PIP) and Annual Development Plans. UNDP's ongoing Country Cooperation Framework (CCF) and UNICEF's current Fifth Country Programme run from 1997 to 2001. To develop synchronization with these two major United Nations partner organizations, it is proposed that this CSO and the Country Programme for Sri Lanka have the same termination date. Therefore, this CSO spans the period from the beginning of 1999 to the end of 2001.
26. The United Nations system as a whole has been most active in responding to relief and other humanitarian imperatives of the ongoing ethnic conflict. An Emergency Task Force (ETF) from the United Nations system has been in place since May 1995 for periodic reviews of the situation. The work of the ETF has focused on the needs of the population and on infrastructure in both "cleared" and "uncleared" areas of the North and East regions as well as on internally displaced persons (IDPs) who are located elsewhere. A comprehensive programme for reconstruction and rehabilitation in the Jaffna Peninsula was prepared by the Government during the latter half of 1997, in consultation with and with assistance from the United Nations system.



27. The Government has requested United Nations agencies and donors for rehabilitation assistance. The WFP country office, in collaboration with the Government, is considering utilizing commodities left over from terminated projects to undertake rehabilitation of war-damaged infrastructure such as water reservoirs, canals and rural roads as a pilot project. A joint United Nations Letter of Intent in response to the Government's request was signed in early 1998 by six United Nations agency representatives, including WFP.

ASSESSMENT OF WFP'S PERFORMANCE TO DATE

28. Cooperation between Sri Lanka and WFP began with the signing of the Basic Agreement in November 1968. Since then, WFP has provided food assistance through 30 development projects and 19 emergency operations and PROs with a total value of over 140 million dollars. The principal aim of development projects supported by WFP has been to alleviate rural poverty and food insecurity, in line with both the priorities of the broader development strategies of the Government and WFP's Mission Statement. WFP's development assistance has been almost exclusively allocated to the agriculture sector, especially to land settlement and irrigation activities which helped the poor. WFP assistance under emergency and relief operations has alleviated suffering caused by both natural and man-made disasters.

Completed activities

Land settlement

29. Twelve of the 30 development projects implemented with WFP assistance are in the category of land settlement. The development of new agricultural lands has been the highest priority in Ceylon/Sri Lanka since the thirties. Faced with a burgeoning population and limited arable land, large areas of selected river basins in the dry zones, which comprise two thirds of the country, were developed from sparse jungle conditions to prosperous agricultural settlements with all the attending economic and social infrastructures. Over the years, WFP food aid, valued at a total of 43 million dollars, has been provided to formerly landless new settlers to enable them to undertake activities aimed at increasing their household food security and moving out of poverty. This is at the stage where they are "dislocated" from their normal income-earning activities because they have to invest all their family labour to prepare their new land for cultivation. About 100,000 families have been helped with food aid during this "non-income-earning" stage. Thus, food aid is an investment to launch the poor farmers towards self-reliance. In newly opened-up remote rural areas where food markets are yet to develop, WFP's food aid has had a clear comparative advantage as a form of assistance to new settlers.
30. WFP food assistance to land settlement programmes has contributed positively towards the achievement of the objectives of these programmes. Their outcomes include the establishment of sustainable rural communities, the provision of employment, the stemming of migration from rural to urban areas, and increased food and other agricultural production. The main beneficiaries of these programmes have been the poorest segments of rural society. The Mahaweli major irrigation scheme, which was assisted by WFP, now contributes 22 percent of national rice production. WFP's total level of assistance for the Mahaweli river basin projects since 1977 amounts to approximately 30 million dollars. This assistance has been evaluated positively and proved to be most effective when synchronized with other counterpart inputs.



Rural development

31. The Government's policy has always emphasized rural development, given its implications for overall poverty reduction and for increasing domestic food production. WFP has been an important partner in the national efforts towards rural development. Its assistance has been provided in the rehabilitation of village-level minor irrigation schemes, self-help housing schemes, cooperative farms, and in forestry and soil conservation activities. Food aid has been used primarily to catalyze self-reliant agricultural production by poor farmers, provide seasonal employment and enhance food security in poor households during difficult times. WFP food aid has also been used as an incentive for rural women to participate in nutrition education programmes. The value of food assistance to rural development projects totals 20 million dollars.

Ongoing activities

Rehabilitation of minor irrigation schemes (project No. 4521.00)

32. Under this project, WFP provides food assistance, as an incentive and income transfer, for about 30,400 small-scale farmer families engaged in the rehabilitation of some 760 minor irrigation schemes and related infrastructure. The project also strengthens local farmers' organizations (FOs) who will be responsible for the future maintenance of the rehabilitated schemes, and trains farmers in sound water management techniques. The objective of the project is to improve paddy production through increased water-supply. The long-term goal is the reduction of rural poverty and food insecurity.

33. The project commenced in March 1994. By the middle of 1996, approximately 245 minor irrigation schemes and related infrastructure had been rehabilitated. A mid-term technical review mission recommended concentrating resources on fewer schemes covering larger areas. The mission also recommended enlarging the scope of the project by expanding it to cover three additional districts that were particularly prone to periodic droughts. These recommendations have been implemented. In addition, collaboration with IFAD has started since 1996, with IFAD providing credits to the farmers of the rehabilitated schemes.

Participatory Forestry Project (PFP)

34. This is a bilateral project supported by Australian Aid (AusAID) and the Asian Development Bank (AsDB), in which the WFP country office monitors AusAID input. The project aims at establishing farmers' woodlots whose outputs are shared among the farmers, and protective woodlots which are forestry reserves. The food commodities provided by AusAID are monetized and the funds are converted into food coupons. The workers engaged in the project's activities are paid in food coupons. These coupons are used at local cooperative stores to purchase food commodities and basic non-food items such as soap and candles. PFP is financed by the AsDB at a cost of 10.5 million dollars for a period of six years (1993-98) and the AusAID contribution in kind amounts to 9.86 million Australian dollars.

Emergencies/PROs

35. The escalation of the ethnic conflict in 1990 originally forced some 800,000 farmers, fishermen and small businessmen and their families in the North and East of Sri Lanka to flee their homes and seek shelter in the government-controlled areas. Of these, about 50,000 poorest and worst-off IDPs sought refuge in the government-run welfare centres outside the conflict zone, while others either had the ability to fend for themselves or



sought assistance from friends and relations and received food stamps from the Government. Many have sought refuge in government welfare centres within the conflict zone and continue to have varying degrees of access to and income from their lands and enterprises. Since January 1992, WFP has provided uninterrupted relief food assistance to the worst-affected 50,000 displaced people residing in government welfare centres outside the conflict zone. The total value of WFP support to IDPs since 1991 has amounted to 17 million dollars. Given the ongoing nature of the conflict, it is difficult to predict for how long this assistance would need to be provided.

Institutional capacities

36. The External Resources Department (ERD) of the Ministry of Finance and Planning coordinates external assistance to Sri Lanka and provides policy guidance. Requests for WFP-assisted projects are prepared by the respective government ministries and agencies and routed through the ERD for policy approval. WFP is closely involved with the government agencies concerned at all stages of project formulation. An important element in the implementation of WFP-assisted projects is the strong administrative and institutional arrangements established by the government and WFP for the efficient management of the project. WFP commodity shipments are directed to the government agencies upon arrival (wheat and rice to the Food Commissioner's Department and other commodities to the Land Commissioner's Department). Wheat is merged with national stocks and the Government exchanges the wheat for wheat flour at the conversion rate of 74 percent. Wheat flour is then made available from the Food Commissioner's warehouses nearest to the project sites.
37. Other commodities provided by WFP, including pulses, sugar and canned fish, are distributed from Colombo where the central food stores are located and managed by the Land Commissioner's Department. All commodities in the food rations are fully acceptable to project beneficiaries.

Monitoring and reporting

38. WFP monitoring and reporting systems are fully integrated in each project document. The Government submits project reports to the WFP country office regularly and on time. Field visits are undertaken jointly by WFP and project officials. As a result of the extensive training in the monitoring and reporting systems imparted to government officials working on WFP-assisted projects, the Government's reports are detailed, accurate and in most cases correspond to expected reporting requirements. The practice of appointing full-time project coordinators from the national implementing agencies has also strengthened project management. In addition, steering committees composed of government counterparts and representatives of WFP are established for each project; their regular meetings have facilitated project implementation and early problem-solving. Cooperation between WFP and government staff has been maintained at a high level in all WFP-assisted projects.



FUTURE ORIENTATION OF WFP ASSISTANCE

Intended beneficiaries

39. Based on an analysis of the hunger, food insecurity and poverty situation in the country, WFP focus in the ensuing programme period will be on the following categories of beneficiaries:
- a) victims of the ongoing ethnic conflict in the North-East of the country;
 - b) men, women and children of landless poor and subsistence-level farming households; and
 - c) poor households headed by women.

Priority sectors for assistance

40. The two sectors outlined below will form the cornerstones of the country strategy during the three-year period from 1999 to 2001.

Relief and rehabilitation

41. **Sustaining victims of the ethnic conflict.** The escalation of the ethnic conflict in the nineties has caused large-scale displacements of people. The displaced have been reduced to abject poverty and severe physical and psychological stress. Women and children are the worst-affected. The provision of relief to conflict victims and displaced populations continues to be a major task for the Government. Since 1992, WFP has supported this task by providing food assistance to about 50,000 of the worst-affected IDPs under a protracted refugee and displaced person project (PRO No. 5346). In this project, a revolving fund has been created using proceeds from the sale of empty bags. This fund is used to provide credit to women heads of households to engage in income-earning activities.
42. Over 80 percent of the IDPs assisted by WFP come from the Mannar district. Periodic reviews of the security situation by the Government, WFP and other United Nations agencies confirm that it is not yet safe for these IDPs to return to their places of origin. Accordingly, the Government has requested continued assistance from WFP during 1998. WFP has already approved this request. There are no immediate prospects for the return of these IDPs to their places of origin. Under these circumstances, requests for WFP assistance beyond 1998 cannot be ruled out.
43. **Assisting poor people to rebuild their lives in the post-conflict period.** The prolonged civil conflict in the North and East of the country has led to the damage and destruction of rural and urban infrastructure, including housing and means of livelihood, for thousands of families. With the escalation of the conflict, there have been large-scale displacements of populations. The worst situation has been in the Jaffna district, where at one time virtually its entire population was displaced. Other districts affected are Vavuniya, Mullativu, Kilinochchi and Mannar. The Government has been able to supply food commodities in the conflict-affected areas and has so far not sought emergency food assistance from WFP.
44. Some of the conflict areas are now beginning to become accessible and are returning to normalcy. Opportunities will exist for WFP to meet the demand for relief and rehabilitation assistance in collaboration with other agencies of the United Nations system, bilateral donors and NGOs. The beneficiaries will include all poor victims of the conflict who are trying to rebuild their lives.



45. The initial focus will be on the Jaffna Peninsula. The Government's Resettlement and Rehabilitation Authority of the North (RRAN) has proposed a project to the United Nations agencies to assist vulnerable groups in the Jaffna Peninsula to rebuild their lives. The proposal envisages support to the rehabilitation of sanitation and health facilities and rural infrastructure (irrigation canals, roads, markets) and providing agricultural inputs (seeds, fertilizer, farm equipment). This project, prepared in collaboration with United Nations agencies, has been formally presented at the Government's request. The WFP country office plans to use commodities left over from completed projects to rehabilitate irrigation canals, irrigation tanks and rural roads as a pilot project.
46. The Jaffna Peninsula pilot project will provide a good experience for expanding relief and rehabilitation assistance to other districts affected by the conflict in the North-East. WFP has already undertaken a preliminary assessment of assistance needed in collaboration with the government agents of the five administrative districts in the North-East. Out of several recovery and rehabilitation activities identified, it has been determined that WFP is best suited to assist in the rehabilitation of rural infrastructure, mainly irrigation canals and rural roads.

Catalyzing self-reliant household food security

47. **Promoting sustainable food security of subsistence-level farm households.** For the landless, near-landless and small-scale poor farmers in the Dry Zone, agriculture is key to their incomes and food security. WFP will support these people through food aid at crucial times of their self-reliance activities. Dry Zone agriculture is highly dependent on minor irrigation, a sector that has been supported by the Government and major donors such as the World Bank. WFP's strategy will be to help subsistence-level farmers through their Farmer Organizations (FOs) to restore the currently dilapidated minor irrigation schemes to productive use. With seasonal rainfall, this will allow fuller land-use during the major rainy season as well as some cultivation of food crops during the minor season.
48. The beneficiaries targeted by WFP will be in the poorest areas of the Dry Zone. Such targeting is already in place in the ongoing minor irrigation rehabilitation project. However, targeting will be extended to include the areas in the border districts of the North-East, where minor irrigation schemes have been seriously affected by the civil conflict.
49. Since 1994, WFP has coordinated and monitored AusAID support to the Participatory Forestry Project. This project, in collaboration with AsDB, aims to provide FOs with economic woodlots which at maturity will be a source of income for their members. WFP will negotiate with the Government, AsDB and AusAID to extend the coverage of this project to the areas of rehabilitated minor irrigation schemes. Planting appropriate trees around tank bunds and catchment areas will have the added benefit of preventing soil erosion and providing bund protection.
50. **Assistance to landless poor in their initial period of settlement in productive land.** The Government's policy on land settlement in major irrigation schemes has proven capable of helping former landless poor move out of poverty on a sustainable basis. Construction of a major irrigation scheme in the left bank of the Uda Walawe major irrigation reservoir is meant for this purpose as well as for improving the prospects of domestic food production. WFP could support the currently landless settlers at the most crucial period of their transition to a stable food-producer status. This is the period during which the new settlers will prepare their homesteads and farms, and cultivate their first crop under irrigation. Food aid provides an income transfer to the settlers so that they can undertake work on their new farms without worrying about meeting their food consumption needs.



Cross-cutting issues

Role of food aid

51. A direct food transfer to the IDPs who are in welfare centres is a dire necessity and cannot be efficiently substituted by other forms of assistance. The IDP centres are located in food-deficit areas; comparative cost assessments have shown that it is more efficient to transfer WFP food directly than to transfer an equivalent value in cash.¹
52. Direct food transfers to assist livelihood recovery in areas affected by the civil conflict are superior to other forms of transfers in meeting food needs because of the absence of well-functioning markets in these areas. Rural markets do not function adequately because of the destruction of transport and other marketing infrastructure. Often, security considerations limit to a minimum local transport movements. For those poor people who will work in WFP-supported projects to rehabilitate irrigation and other rural infrastructure, food aid will compensate for the opportunity cost of their labour. It allows them to forego the normal economic activities necessary to earn an income to meet basic consumption needs. These are people whose past savings, if any, have been destroyed by civil war.
53. In the areas where development projects (for rehabilitation of minor irrigation schemes and settlement of landless poor in a major irrigation scheme) are envisaged, food aid transfers take place during pre-planting or initial planting periods, or in the case of settlers, during a period when no production is possible. An analysis of the situation indicates that food aid is more advantageous to the beneficiaries than cash, and will not have a price-depressing impact because of the limited local food availability during times when food-for-work projects are typically implemented.
54. Sri Lanka is highly food-deficient and WFP food aid, which is minimal relative to the total food deficit, will not have any damaging effects on the food economy.

Enhancing child and maternal nutrition

55. The extent of the problem of child and maternal malnutrition is disturbing. The Ministry of Health has begun implementing a Health Services Project supported by the World Bank. This project addresses major public health problems, including child malnutrition.
56. The nutrition component of this project aims at reorienting the existing clinic-based growth monitoring programme to a community-based growth promotion programme, which will also call upon NGOs and community volunteers. The World Bank's document for this project contends that inappropriate breast-feeding, weaning and feeding practices underlie much of infant and young child malnutrition. Therefore, this programme will focus on reaching expectant mothers to promote behavioural change. Micronutrient deficiencies (iron and iodine) will also be addressed. It does not include supplementary feeding as an instrument of assistance because of the lack of evidence that the 25-year-old supplementary feeding programme (the *Thripasha* programme) has been effective in improving the nutritional status of beneficiaries. The indications are that the *Thripasha* programme will be phased out.
57. WFP can make an important contribution to help reduce child malnutrition among its beneficiary households by establishing links with this Health Services Project. In the Dry

¹ The local value of a WFP daily food ration works out to 0.23 dollar, while its cost to WFP at the delivery point to beneficiaries is 0.18 dollar. This provides a cost-effectiveness (alpha) value of 1.27. These values do not change significantly from one place to another where WFP projects are functioning (see Annex II).



Zone, where WFP's projects are implemented, child malnutrition is much more severe than in other areas. Therefore, a special focus is necessary in this area. WFP will work with the Ministry of Health to impart nutritional education, aimed at behavioural change, to the women beneficiaries of all WFP-assisted projects and operations in Sri Lanka. WFP project officers will work closely with field-level staff of the Ministry of Health in implementing a "special nutrition education programme" for the WFP project beneficiaries. The Farmer Organizations with which WFP works and local NGOs will play a major role in this task.

58. WFP has already begun negotiations with the Ministry of Health to institute a partnership. While the Dry Zone will be the priority area of focus, the partnership with the Ministry of Health will also extend to the WFP-assisted relief operation in support of the internally displaced population. In addition, WFP will negotiate with AusAID and AsDB to have the same programme extended to the beneficiaries of the Participatory Forestry Project.

Gender strategy

59. WFP will exert its influence to improve the empowerment of women in rural households dependent on agriculture. The patriarchal social norms which prevail in Sri Lanka place a higher social and economic value on men and perceive males as having more authority in decision-making, both within and outside the household. This phenomenon is reflected in some of the Government's enactments related to land settlement. Hence, WFP will pursue this issue with the relevant ministries in order to:
- a) ensure that at least 25 percent of the new settlers are women who are heads of households; and
 - b) bring about an amendment to the Land Settlement Ordinance so as to ensure that both husband and wife are jointly given the title to land being granted under the Ordinance; joint ownership will enhance women's empowerment.
60. In addition to the above, the country office will work to meet WFP's Commitments to Women. Specific actions in this regard will include: a) making it mandatory for Farmer Organizations involved with WFP-assisted projects to have at least two of their officials be women; b) increasing funding for programmes that support income-generating activities in households headed by women in IDP situations; and c) providing skills development training opportunities for women.

Collaborations and partnerships

61. In the current political situation in Sri Lanka, the special focus of the United Nations system is on issues and needs related to the ethnic conflict. From the inception of providing WFP assistance to segments of the populations affected by the conflict, there has been close collaboration with the sister agencies in the United Nations, especially UNHCR. WFP is an active member of the Special United Nations Task Force on the situation in the North-East. In addition, the proposed WFP assistance to resettlement and recovery activities in the Jaffna Peninsula and in the rest of the affected areas is part and parcel of the United Nations system's collaborative response.
62. IFAD is an important partner in the planned developmental intervention to support poor farmers rehabilitate their minor irrigation schemes. The proposed nutritional education to the women beneficiaries of WFP assistance will be carried out in close collaboration with the World Bank-supported Health Services Project.



63. There is already a bilateral partnership with AusAID in the Participatory Forestry Project. Additional bilateral collaborations will be explored in support of WFP-assisted projects and operations.
64. NGOs will be mobilized in promoting credit and income-generating activities for the direct beneficiaries of WFP assistance. A participatory approach will form an integral part all WFP-assisted projects, from formulation to implementation to assessment.

Programme scope

65. The volume of WFP assistance over the three-year period of the CSO is estimated at 19.5 million dollars; 7.5 million dollars will be for development projects and 12 million dollars in support of relief operations.

Relief and rehabilitation

66. **Sustaining victims of the ethnic conflict.** The funding requirement to support 50,000 IDPs in the welfare centres located outside the conflict zone is approximately three million dollars annually. Funds have already been approved for PRO 5346 up to 28 February 1999. Since the end of the conflict is not yet in sight, it is likely that WFP may have to continue providing assistance at about the same level for the next three years, at a total cost of some nine million dollars.
67. **Assisting poor people to rebuild their lives during post-conflict period.** This will be a new PRO in the “cleared” North-East areas. It would be based on the lessons learned from the pilot activity WFP will undertake in the Jaffna Peninsula. The formal project is expected to involve the rehabilitation of water reservoirs, damaged irrigation canals and rural roads, estimated at 3.5 million work days over the three years of the CSO period. This operation is dependent on the evolving security situation, but is likely to commence in 1999. The funding requirement for this relief assistance is expected to be in the region of three million dollars.

Catalyzing self-reliant household food security

68. The Government is expected to request an expansion of the ongoing project “Rehabilitation of minor irrigation schemes”, which is due to terminate on 28 February 1999. The activities during the expansion phase of the project are expected to continue at the present level. On this basis, the cost to WFP over the next three years is expected to be around five million dollars.
69. The Government’s plan to settle landless families on the Left Bank in the Uda Walawe Irrigation Scheme is not expected to materialize before the year 2000. The cost to WFP of this project during the years 2000 and 2001 is estimated at 2.5 million dollars.

Supplementary funding

70. When designing the Country Programme on the basis of this CSO, it is intended to explore possibilities of active collaboration with other agencies of the United Nations system and with NGOs. Efforts will also be made to expand the coverage and scope of WFP-assisted projects with additional resources from bilateral donors.



KEY ISSUES AND RISKS

71. Resolving the ethnic conflict is key to Sri Lanka's future progress. The military cost of the conflict to the Government currently accounts for over 17 percent of total annual government expenditures. The likelihood of achieving lasting peace in the near future is unpredictable. As long as the conflict situation continues, substantial resources for the military efforts and government-funded feeding of IDPs may crowd out resources available for development activities. This may also mean that there will be a greater demand for WFP relief assistance as a result of a slow-down in the economic recovery in those areas that are beginning to emerge from the conflict.
72. WFP, together with other United Nations partners and donors in the conflict-affected areas, will face a major constraint because of the large-scale presence of land-mines in the area. This concern has been discussed; there is agreement on the need for demining activities to precede any relief/rehabilitation work. The Government has requested the donor community for assistance in this regard.
73. The Government's economic policy is geared towards accelerating market liberalization and increasing budgetary discipline. On the one hand, this has entailed a greater degree of privatization, causing labour concerns and unrest as well as lower government revenue potential; on the other, efforts to reduce budget deficits are likely to result in reduced expenditures in the social sectors. This may affect the Government's poverty alleviation and safety net programmes and increase dependence on foreign assistance in addressing poverty and nutrition issues.
74. WFP food aid in the proposed strategy has a clear comparative advantage in assisting some of the most vulnerable and poor people in the country. For the internally displaced persons, poor farmers in the conflict-affected areas and in the rest of the Dry Zone, and the currently landless agricultural workers who are scheduled for settlement in productive land, food is a priority need.
75. The poor in the conflict-affected areas have a long way to go before they rebuild their lives and food security. Food supplies in these areas are scarce and beyond the reach of the poor. In other areas, the would-be settlers need food while they engage in preparing new land for cultivation. Similarly, the poor subsistence farmers whose food production capacity has been severely hampered by a breakdown in the minor irrigation schemes need food during the time they have to spend on rehabilitating their irrigation systems. A comparison of the value of the food ration to WFP with its market value shows that the poor will benefit less if they receive the WFP value of the ration. Therefore, food aid is an efficient and pertinent form of assistance.



ANNEX I



ANNEX II

LOCAL VALUE OF WFP FOOD RATION (PROJECT NO. 5346.03)

	Daily ration (grams)	Local value (Rs/gram)	Value of the ration (Rs)	Value of the ration (dollars)
Rice	400	23.0	9.2	0.15
Pulses	50	50.0	2.5	0.04
Sugar	20	33.0	0.7	0.01
Coconut oil (l)	25	58.7	1.5	0.02
Total	495	164.7	13.8	0.23

COST TO WFP (PROJECT NO. 5346.03)
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	Daily ration (grams)	FOB cost (dollars/gram)	External transport and superintendence (dollars/gram)	ITSH cost (dollars/gram)	Total food cost (dollars/ration)
Rice	400	0.26	0.05	0.02	0.13
Pulses	50	0.45	0.05	0.02	0.03
Sugar	20	0.40	0.05	0.02	0.01
Coconut oil (l)	25	0.7	0.05	0.02	0.02
Total	495	1.80	0.20	0.08	0.19

Source: WFP country office.



SRI LANKA – PER CAPITA CALORIC AVAILABILITY FROM VARIOUS FOOD COMMODITIES (1987–1996)
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Calories from:	1987	1988	1989	1990	1990	1992	1993	1994	1995	1996
Rice production (local)	814.90	802.75	634.49	861.07	823.03	739.43	702.59	855.05	857.71	605.77
Rice imports	88.00	160.00	243.80	109.00	107.46	189.99	157.10	45.59	7.26	258.54
Wheat flour	279.77	282.12	323.96	263.38	397.59	307.39	299.97	358.35	408.26	352.06
All other food commodities	1 084.73	1 081.23	1 046.12	1 058.57	938.08	932.22	981.30	1 054.01	984.74	963.42
Total	2 267.40	2 326.10	2 248.37	2 292.02	2 266.16	2 169.03	2 140.96	2 313.00	2 257.97	2 179.79

Source: Sri Lanka Department of Census and Statistics, Food Balance Sheets.

