UNDP/World Bank/ILO mission

Strategy Note for Rapid Income Recovery Programme

Initial assessments suggest that up to 400,000 Sri Lankans have lost their livelihoods due to the tsunami that struck on 26 December 2004. This paper sets out the strategy of the Rapid Income Recovery Programme (RIRP) programme, to rebuild their livelihoods and revive local economies in the affected areas. Such a strategy requires a multi pronged and coordinated approach that provides urgently needed income support while at the same time advancing people out of dependency and poverty as rapidly as possible. This will also address the need to infuse cash into the affected communities to revive local economies. The strategy therefore comprises four types of instruments:

1. Temporary income transfers that focus on those affected by the tsunami who have lost their capacity to earn an income, or for whom there is no work. Cash assistance would continue for additional time to the especially vulnerable categories of affected population like widows, orphans and the disabled, till they are brought under the coverage of existing Government social assistance programs in these areas.

2. Immediate income generation mechanisms through community and public works programmes that will generate livelihoods for those who are able and willing to work.

3. Finance and other services to rebuild economic activities.

The design of the programme addresses the following key concerns:

- Those affected by the disaster should get income support as soon as possible.
- The likelihood of excluding those in need should be minimised.
- Guided by the principle above, identification of eligible beneficiaries should be left as much as possible to local communities - within broad eligibility criteria - and the process monitored in a democratic way.
- Coordination at central and district levels should overcome ministerial and departmental borders.
- Information and transparency is crucial: everyone should have access to information on their entitlements and be able to obtain timely advice on how to access them.
- Implementation arrangements should take into account the differences in institutional mechanisms between the South and the North East.

1. Temporary income transfers

The first component will provide temporary cash payments, which could supercede such payments which have already been initiated by the Government, such as the Rs 5000 per family grant. The priorities are:
- to make sure that its implementation is accelerated;
- that funds are made available in a timely manner at the local level;
- that the eligibility for payment is made clearly known to the local communities and beneficiaries;
- that adequate administrative, and consultative and monitoring procedures are put in place.

Payments will be made available to households that are unable to obtain an income in any other way, including through the “cash for work” programme described under Component 2 below.
The amount of benefit should be sufficient to enable an eligible household to maintain itself in conditions of dignity, and must therefore be set around the poverty line, but should not be such as to create disincentives to the able-bodied to take up available work at the earliest opportunity. The role of this component is thus to provide appropriate income support (on a dynamic/flexible basis) during the period over which families make the transition back to longer-term sustainable incomes. It has therefore a "time-bound" character, although it is expected that a proportion of families – particularly the especially vulnerable – will need more extended support in the form of continued cash assistance for a longer period. The categories of such vulnerable people affected by the tsunami include those seriously injured (according to the recent situation reports - over 20,000), children who lost at least one of their parents, and families who lost their main earning member. Eventually such beneficiaries will need to be integrated into the regular social welfare programs of the government.

**Implementation arrangements:** The most important principle on which the implementation arrangements will be based is a community-based identification process for beneficiaries. To facilitate this, much of the coordination and decision-making will be based at the district level. While the most practical and efficient arrangements for payment may differ from one district to another, the district level coordination committee ¹ will utilize existing institutional arrangements as far as possible (details are provided in the concluding section on Overall Implementation arrangements).

The funds will be disbursed to the beneficiaries either through the community committees (depending on their ability to open bank accounts and deliver cash safely to the beneficiaries) or directly deposited in bank or post office accounts created for the beneficiaries.

2. **Immediate income generation mechanisms through community and public works ("cash for work" programmes)**

Employment in essential public or community works will provide income earning opportunities combined with improvement of the living environment for affected communities. The programme will use labour-intensive rehabilitation and maintenance work methods for the community works in order to generate an optimum number of temporary jobs. It will adopt a labour-based approach (using an appropriate mix of labour and equipment) for the public works, to provide immediate work opportunities as well as a basis for longer-term employment through the provision of skill development programs.

¹ The communities will be represented by committees that will include representatives from the affected members, other trusted community elders such as religious leaders or teachers, and representatives of community-based organizations. A specific set of criteria for candidates for the cash grant (such as households headed by widows or elderly people, households with disabled members, orphans, and other similar criteria for vulnerability as identified by the proxy means test formula derived for welfare program in Sri Lanka) will be provided as guidelines for the committees to implement. Moreover, as the government starts implementing the Rs 5000 per family cash grant, an additional criterion may be introduced to avoid duplication with this program, or more likely its replacement by this programme. The committee’s role will be to identify the beneficiaries to whom these criteria apply and distribute the cash grants.
The key features of this component are:

- Direct financing to affected communities, who then become responsible for the implementation of labour intensive community projects.
- A variety of non-community financing options for the implementation of public works.
- A community selection and validation system that will determine appropriate beneficiaries; priority will be given to meeting the needs of the poorest among the affected.
- The community assets created will be those that are of maximum value to the poorest among the affected.
- The kind of work selected in communities will be appropriate to attract the participation of women.
- Wages for unskilled workers will be set in relation to the market rate for this type of work in each district (expected to be in the range of SLR 200 - 350) and will be above the legal minimum wage in all cases. Care will be taken not to distort the local labour market.
- The share of the wage-bill in the total cost will be as high as possible.
- The budget for the works will include resources for maintenance at least for the duration of the project, after which the Government or the community should take the responsibility.

**Implementation arrangements:** The implementation arrangements for this component will be through the same community based arrangements as described above for Component 1, to ensure coordination on the ground between two components that require community based approaches for a common objective of providing income support. Community works will be funded on the basis of project proposals submitted by the communities, as represented by the community committees as described under Component 1. Acceptance and implementation of a proposal will be summarized in a simple contract signed between the community and the Government and will provide a basis for disbursement of a community grant. The amounts of such grants will be broadly based on the number of affected households in the community and the projects proposed by the community. The project will also provide cash to finance the materials needed and to provide supplementary skilled labour or to contract technical assistance. Technical supervision will be provided and the community representatives will be trained in the management of their projects.

The public works will use labour-based methods and be carried out either through direct hire of labour, locally available small-scale construction enterprises, or established NGOs, depending on the regional context. Specifications and contracts will be those of the Government with minor additions specific to labour-based works where necessary. Training will be offered to all parties involved.

3. Support to rebuilding economic activities
Generating sustainable livelihoods in a post-disaster situation critically requires reviving economic activities and markets. The greatest need in tsunami affected areas is for finance to replace productive assets. Further requirements are for skills and business training, and other services that support the development of micro and small enterprises.

A wide range of organizations has the capacity to address these needs, and many have already started to respond. They include banks, microfinance institutions, chambers of
commerce, NGOs and a variety of community-based societies. The programme will support these organizations to enhance their capacity to provide services to tsunami affected communities. Services that will be supported include:

- **Micro and small loans for business activities in all sectors, including agriculture-related, and for fishing boats.**
- **Small start-up grants of up to a maximum amount that the programme will establish, for vulnerable groups who face difficulties over and above those of the loss of productive assets and shelter (e.g. women who lost their husband and main income earner).**
- **Skills training for immediate (self) employment.**
- **Business training for new businesses.**
- **Business services related to business plan development, marketing, procurement, advice on running a business.**
- **Support to formation of group enterprises.**
- **Matching job seekers to employment opportunities.**

**Key features of the programme:**

- **Existing financial networks will be used and their lending capacity will be boosted - this will also have a longer-term impact on the growth of micro and small enterprises.**
- **Soft loans, and grants where the impact of the tsunami has put institutions at risk, will be made available to credit providers, for on-lending to members of affected communities.**
- **Participating institutions will select the borrowers, based on their own criteria and client assessments.**
- **Communities will be empowered to consider the award of small start-up grants.**
- **Technical support will be offered to credit providers to adapt their lending methodologies, expand their capacity, and coordinate their operations.**
- **Technical support will be given to adapt non-financial services to the new needs, e.g. to adapt courses, train trainers.**
- **Grants will be offered to enable individuals and communities to make use of such non-financial services.**
- **The programme will promote women’s enhanced participation in productive work.**

In addition, the programme will support the adoption of participatory planning approaches by District and Divisional authorities, for the development of Local Economic Development plans. This will ensure that the opinions of communities, the private sector, and other stakeholders are heard when decisions that affect local economies and livelihoods are taken. It will also enhance coordination and place the above interventions in a broader development framework, without, however, making them conditional on such a plan being in place.

**Implementation arrangements:** Capital for on-lending will be provided through national financial apex institutions. Funds for other services will be supplied on the basis of joint proposals by communities and providers. Technical support will be made available as required.
4. Overall Implementation Arrangements

The implementation arrangements at the national level will consist of an Inter-ministerial High Level Steering Committee comprising Secretaries from the relevant Ministries, Chief Secretaries of Provincial Councils. The Committee will be chaired by a chairperson independent of the line Ministries. It will be responsible for policy direction; setting targets; approving programmes and their budgets.

**Figure 1: Implementation Arrangements for the Overall RIRP**

A Programme Management Unit (PMU) will serve as the technical secretariat to the High Level Steering Committee. It will be staffed to ensure high level technical expertise in the relevant areas, including a management information systems specialist. The key implementing Ministries will depute technical officers to the PMU. The PMU will be responsible for programme coordination; liaison with Partner Agencies; management of resource transfers; technical advice; standards setting; monitoring and evaluation of projects; information and reporting; capacity building and establishment of systems and procedures, as well as any necessary liaison with Provincial Authorities.

At the district level a District Coordinating Committee (DCC, see footnote 1) will be responsible for coordinating the activities of the implementing agencies in the district, oversight and facilitation and approval of community proposals, and identifying and resolving implementation bottlenecks. It will comprise representatives of the implementing agencies. In the longer term the DCC will lead the development of divisional Local Economic Development Plans (LEDs). The DCC will be supported by a District Management Unit (DMU), a unit comprising of specialists in key technical areas, including Monitoring and Evaluation.

The implementation arrangements at the community level will consist of a Community Committee (CC) that will include representatives of the Government, of affected economic sectors, CBOs, and trusted community elders such as religious leaders and teachers. The core responsibilities of the CC will be to mobilize the community, articulate community needs in the
form of proposals, select beneficiaries for specific interventions, oversee the implement of projects, and carry out participatory assessments of progress and results.

The above arrangements will take into account the specific institutional circumstances that exist in the different provinces. As far as possible the implementation arrangements will build upon existing structures that have worked well. A substantial area of public works is under the purview of Provincial Councils (PCs) and hence the relevant PCs will be represented in the Steering Committee and the District Coordinating Unit. Overall, the implementation arrangements will support decentralized delivery and community-based action.

In this regard the appropriate financing arrangements will be crucial to the success of the programme. The PMU will place funds at the disposal of the DCCs for disbursement of approved resources to the CCs. Appropriate systems and procedures will be established for the flow of funds for activities that are not at the community level.

In the North East the implementation arrangements will utilize as appropriate existing institutional mechanisms that have proven effective for the implementation of rehabilitation and reconstruction projects in the North East, extending from the village through divisional to the district level, and will be adapted to whatever emerges from the ongoing discussions between Government and the LTTE.

The institutional imperatives arising from the cross-sectoral spread of interventions and the need for speedy delivery of livelihood support to affected people call for the location of the programme at the highest level, under the proposed Authority for the Rehabilitation of the Nation. The above institutional arrangements will be in place for the duration of the RIRP only.