Save the Children

Cash for Recovery

Feasibility study on a capital-based income generation scheme for tsunami-affected households in Trincomalee District, Sri Lanka

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Abbreviations

ADB	Asian Development Bank
CBSL	Central Bank of Sri Lanka
CfH	cash-for-herders
CfW	cash-for-work
DS	Divisional Secretary
FAO	Food and Agriculture Organization
GA	Government Agent – Head of District for Government of Sri Lanka
GoSL	Government of Sri Lanka
GS	Government Secretary
ILO	International Labour Organization
IRP	Income Recovery Programme
LTTE	Liberation Tigers of Tamil Eelam ('Tamil Tigers')
NGO	non-governmental organisation
ODI	Overseas Development Institute
PAMA	Public Welfare Assistance Allowance
Rs	Sri Lankan Rupees (Rs100 equals US$1)
SDC	Swiss Agency for Development and Co-operation
SME	small and medium enterprises
TAFREN	Task Force for Rebuilding the Nation
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Preface

Save the Children has been working in Sri Lanka for more than 30 years. In recent years our programme has focused on promoting peace and social harmony, improving education provision and protecting children affected by armed conflict. Since 2004, our work has been dominated by our response to the tsunami. We have focused on the issues we were already working around – education and child protection – and on restoring the livelihoods of families affected by the tsunami.

This study explores the feasibility of cash-based responses in post-disaster situations. To date, large cash transfers in the context of rehabilitation remain unexplored by agencies. This study provides potential answers to support the poorest populations who do not benefit from more traditional approaches to economic development.

Further, the capital-based income generation scheme promoted by the study is an interesting and innovative concept that opens new avenues to re-think economic safety nets and social protection measures.

The study was undertaken in a district affected by the tsunami as well as by two decades of civil war. The proposed scheme is designed to operate in state and non-state controlled areas. Demonstrating that such a scheme can be effective in both geographical areas could have major repercussions on how to reach the poorest section of populations in countries affected by conflict whenever the security situation allows.

The study was completed in December 2005, when a number of assumptions were made about the cessation of government food and relief cash transfers in the near future. Those assumptions were confirmed early in 2006. Unfortunately, at the date of publication, implementation of the project in Trincomalee District is still in question. The security situation in that district has dramatically deteriorated since early 2006 and part of the intended project area is currently inaccessible.

We hope that by sharing this study we will inspire concerned individuals and organisations to take this concept forward in other parts of the world.

Richard Mawer
Programme Director
Save the Children in Sri Lanka
October 2006

Executive summary

The Government of Sri Lanka (GoSL) has provided tsunami-affected households with unconditional cash transfers of Rs200 ($2) per person per week throughout 2005. The same households received World Food Programme (WFP) food rations worth Rs130 per person per week. The GoSL also provides conditional capital transfers to families whose houses have been destroyed or damaged. At the same time, aid agencies implement cash-for-work (CfW) programmes and livelihood recovery programmes. In-kind grants to replace lost income-earning assets, and to a lesser extent conditional cash grants, combined with training are the main instruments used to support livelihood rehabilitation.

In 2006 the GoSL cash transfers and the WFP food rations were discontinued. For poor households that have not yet recovered this will create a shock. In order to compensate for the loss of transfer income they will have to rely on finding employment in the labour market, on CfW programmes and on self-employment. Given that the labour market is recovering and that aid agencies offer numerous programmes supporting self-employment, it can be assumed that tsunami-affected households with unemployed or underemployed human capital, will in some way be able to earn sufficient income to meet their basic needs.

The situation is different for households with no or little employable human capital. About 10 per cent of the tsunami-affected households are extremely poor and at the same time labour scarce. These are households headed by widows who have children to care for, or headed by elderly or disabled people or by children. These households cannot benefit sufficiently from job opportunities or labour-based programmes like CfW or business promotion programmes. Once the GoSL and WFP transfers are discontinued, these high dependency ratio households will not be able to meet their most basic needs.

Existing safety net programmes (Samurdhi and the Public Welfare Assistance Allowance – PAMA) are ineffective. Half of the poorest households are not reached by any safety net programme (low effectiveness of targeting). For the other half, the value of the monthly transfers is, on the average, less than Rs100 ($1) per person. Neither GoSL nor the aid agencies implement or plan programmes that meet the needs of the ten per cent most vulnerable households. About 50 per cent of the members of these households are children.

The study team checked a number of options for how Save the Children in Sri Lanka could best contribute to the livelihood rehabilitation of tsunami-affected households. Closing the gap between the needs of the vulnerable households described above and the existing responses to meet these needs seemed to be the most promising option. The team therefore concentrated on designing a scheme that meets the specific needs of extremely poor and labour-scarce households. To be able to meet their basic needs, these households require a regular, reliable and sustainable transfer of income, equivalent to approximately 50 per cent of the official poverty line of Rs1,650 ($16) per person per month. It is estimated that this amount, together with the household income generated from other sources, will alleviate 90 per cent of the target group from food poverty and 50 per cent from absolute poverty.

Generating a regular, reliable and sustainable income of approximately Rs800 ($8) per person per month can be achieved by providing the target group households with a one-off capital grant, to be invested in such a way that it yields a long-term return (interest). The return generated from the invested capital will finance a monthly cash contribution to the beneficiary household. Assuming an interest rate of ten per cent (fixed for ten years), the capital required to guarantee a monthly income of Rs3,000 ($30) for a four-person household is Rs360,000 ($3,600).

Trincomalee District has been selected for piloting the scheme. The size of the target group is estimated at 2,700 households (ten per cent of all tsunami-affected households in the district). The costs of the scheme are estimated at $8 million for the capital transfers and $1.5m for administration and logistics.

The report gives detailed recommendations with regard to targeting criteria, the targeting mechanism and the financing and delivery mechanism of the scheme. It outlines the expected use of the transfers by the beneficiary households and the expected impact at household and community level. It describes the expected impact on the well-being of children and analyses the expected contribution that the scheme will make to Save the Children's five dimensions of change (see Section 4.1.8 for more details).

The report further assesses the socio-economic, cultural, institutional and political feasibility of the scheme, analyses the risks involved and recommends mitigation strategies. It concludes that the scheme is feasible. A concept for monitoring cost-effectiveness, utilisation of the outputs, impact and risks of the scheme (with emphasis on the impact on children) is provided.

Based on a draft version of this report, Save the Children has conducted a project planning workshop. A logical framework matrix, a timetable for project activities and a proposed project budget resulting from the workshop are documented in Appendix 12.

1. Introduction and background

1.1. Rationale, objectives, process of the study and structure of the report

Nearly a year after the 26 December 2004 tsunami devastated coastal communities, the affected households still suffer from the loss of natural, physical, financial and human capital that has destroyed their pre-tsunami livelihoods. They have lost family members, homesteads, physical capital like fishing boats, and savings like gold or cash. Many are still living in camps or with friends and relatives. Most households have, to some extent, recovered from the initial crisis and have either found employment or are engaged in income generating activities. But a significant number of households are still not able to earn incomes that are sufficient to cover their basic needs.

To meet the post-emergency needs of the affected households, organisations like Save the Children are in the process of planning and implementing large-scale rehabilitation and recovery interventions. These interventions have to be based on needs analyses and feasibility assessments. At the same time, the interventions have to use an appropriate mix of instruments that are tailored to the needs, aspirations, capacities and circumstances of different livelihood groups.

In this context, Save the Children regards cash-based responses as a promising but under-utilised approach. Save the Children therefore wants to explore whether the traditional range of instruments for livelihood rehabilitation (like loans, food- or cash-for-work, provision of equipment and/or material in kind, and training) can be extended and/or partly replaced by cash/capital transfers, provided directly to targeted beneficiary households. The term cash transfers is used for regular transfers like pensions. The term capital transfers is used for one-off transfers of a substantial amount of money.

Save the Children shares this interest with other non-governmental organisations (NGOs), who together have started a Tsunami Cash Learning Project that examines the role of cash-based responses in humanitarian aid. While over recent years experience has been gained with regard to cash transfers for relief in emergency situations (see Harvey, 2005), there is less experience to draw on when it comes to the use of cash transfers for rehabilitation and recovery in post-disaster situations. The hypothesis shared by Save the Children and other NGOs is that, for a number of tsunami-affected livelihood groups, cash/capital transfers can be effectively used for livelihood rehabilitation and recovery interventions. The task of this consultancy is to contribute to verifying or falsifying this hypothesis.

Trincomalee District was chosen as the study area because it is one of the districts most affected by the tsunami, and because data from a recently conducted Participatory Livelihood Planning exercise were available.

In detail, the outputs of the study are:

1. an ex-ante assessment of the feasibility of cash transfers for livelihood rehabilitation in tsunami-affected areas of Trincomalee District, setting out modelling scenarios for different livelihood groups
2. recommendations for cash-based interventions for the sustainable livelihood recovery of specific livelihood groups
3. action plans that determine in detail the targeted beneficiaries, recommended financial level of transfers, time scale, and targeting and delivery mechanisms for the recommended interventions
4. a concept for monitoring outcomes, impact, and risks of the planned projects in order to be able to assess the feasibility, cost-effectiveness, and comparative advantages and disadvantages of using cash-based interventions for post-emergency rehabilitation and recovery.

These outputs have been produced by a team consisting of Save the Children staff members from the head office in Colombo, Save the Children staff members from the Trincomalee office and two Overseas Development Institute (ODI) consultants, in the period 6 November to 7 December 2005.

The outputs will be used for Save the Children's medium-term planning of tsunami related interventions in Sri Lanka, and will also contribute to the Tsunami Cash Learning Project. The aim of Save the Children's interventions is to meet the immediate survival needs of the affected children, families and communities and to contribute to the restoration of adequate shelter, livelihoods, education, protection, as well as overall resilience to disaster for vulnerable communities. Although Save the Children's planning horizon is limited to the end of 2007, the impact of the interventions should be sustainable. They should "preserve the benefits of part of the tsunami relief for future years and enable a lasting uplift in local capacity to ensure the welfare, rights and protection of children" (Save the Children UK, 2005b).

Taking these objectives and the specific mandate and mission of Save the Children into account, the study gives special consideration to the needs of children and their caregivers. The study also takes into account that tsunami-affected households are not homogenous. It disaggregates the affected households into livelihood groups in order to ensure that gender, age, caste and ethnic differences, as well as the specific circumstances of vulnerable groups, are taken into account.

A special concern of Save the Children's is "the increasing realisation that additional and, in some cases, completely new ideas for supporting the rehabilitation of tsunami-affected communities need to be developed and implemented" (Terms of Reference, see Appendix 1). In other words: there is a window of opportunity to go beyond existing or perceived traditions, beliefs, habits and limitations of past and ongoing emergency relief concepts and interventions. The study is challenged to explore new avenues for empowering and capacitating disaster-affected households in their struggle to rehabilitate their livelihoods and to improve their well-being in a sustainable way.

The report starts with a review of government and donor responses to the tsunami emergency and a review of the experience with cash transfers in Sri Lanka and in other countries (Chapter 1).

It then focuses on the livelihood recovery needs and the livelihood recovery programmes in Trincomalee District (Chapter 2). The livelihood analysis is based on data from a Participatory Livelihood Planning exercise, which was conducted in 19 tsunami-affected villages before the team arrived (Suresh *et al*, 2005), and on a rapid appraisal done by the survey team in three villages. The rapid appraisal consisted of household surveys and focus group discussions. In addition, documents have been reviewed and resource persons have been interviewed at the village, division, district, province and national level. A description of the methodology used is given in Appendix 3. The analysis of needs and programmes identifies the gaps between the assistance required for achieving sustainable livelihoods and the assistance offered. It shows which categories of households are not able to benefit sufficiently from ongoing and planned livelihood recovery programmes. These categories of households have been analysed in detail.

Based on this analysis, options for supplementing ongoing and planned livelihood recovery efforts with cash/capital transfer programmes have been identified and assessed (Chapter 3). The assessment concludes that capital-based transfer incomes for extremely poor and labour-scarce households are the most promising option for a cash/capital transfer project.

The final chapter outlines the concept for a capital-based income generating scheme for extremely poor and labour-scarce tsunami-affected households (Chapter 4). It also assesses the socio-economic, cultural, institutional and political feasibility of the project, identifies risks and mitigation strategies, and proposes a concept for monitoring the cost-effectiveness, utilisation, impact and risks of the project with special emphasis on the impact on children.

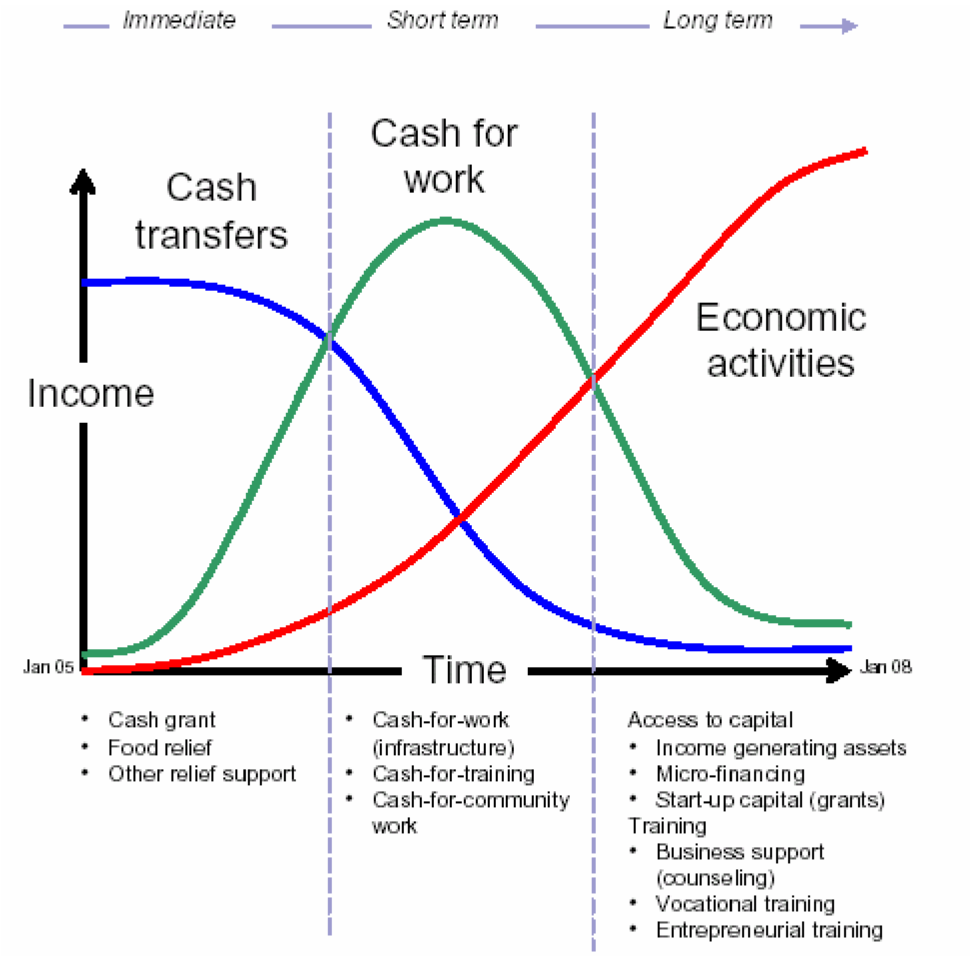
1.2. Government and agency response to the tsunami emergency

On 3 January 2005 the Task Force for Rebuilding the Nation (TAFREN) was established by Presidential directive. TAFREN's objective is to facilitate the rebuilding of infrastructure and livelihoods, the restoration of trade, commerce and business, and the recreation of normal life in the affected areas in a better and sustainable manner, as quickly as possible. Guiding principles are:

- equity
- needs-based, no discrimination (gender, political, religious, ethnic)
- empowerment and sustainability
- consultation and communication
- transparency and zero tolerance of corruption
- accountability and good governance
- sensitivity to disparities and future vulnerability
- co-ordination and efficiency.

(TAFREN, August 2005)

To restore livelihoods, TAFREN has developed an Income Recovery Programme (IRP) that is supported by ILO, UNDP and the World Bank. The following graph (TAFREN, August 2005) shows the three main interventions under IRP and the timing for each intervention.



1.2.1. Cash transfers

Since February 2005 the GoSL has paid unconditional cash transfers of Rs5,000 ($50) four times to affected families. The number of beneficiary households was 250,844 in the first round, 231,752 in the second round and – as a result of tightening the eligibility criteria – 100,000 in the third and forth rounds (FAO, 2005). The payments were channelled through the banking system.

In addition, the GoSL is paying Rs200 per capita per week in cash to affected households, excluding those that receive public service salaries and those that have received a grant for rebuilding their houses. This cash is delivered through People's Bank, where all recipient households have accounts. The WFP is providing food rations (value at local prices approximately Rs130 per capita per week) to the same households through the co-operative system. As can be seen from the graph above, these transfers are meant as an immediate response and will be discontinued.

Conditional cash transfers of Rs250,000 for rebuilding houses destroyed by the tsunami and Rs100,000 for houses damaged are provided by the government in instalments. Recipients initially receive Rs50,000. In order to get further instalments they have to prove that the building process has progressed according to certain standards.

1.2.2. Cash-for-work

CfW programmes are implemented on a large scale mostly by international NGOs, who often work through local NGOs or community-based organisations as partners. They provide temporary employment at daily wages of about Rs400 ($4) for those who lost their livelihood. In the early stages of recovery, CfW programmes focused on cleaning up operations but are gradually shifting to labour-based rehabilitation of community access roads and irrigation works. CfW is seen as a temporary safety net for households with unemployed or underemployed labour. However, it bypasses labour-constrained households like elderly-headed, disabled-headed and many of the female-headed households, which are the poorest and most vulnerable of the households affected by the tsunami. There are also complaints about the productivity and the quality of the physical outputs of CfW programmes.

1.2.3. Recovery of economic activities

Concessionary loans are the main government instrument for promoting enterprise recovery. With support from Japan Bank of International Co-operation and from the Asian Development Bank (ADB), the GoSL has launched two major credit schemes for assisting damaged enterprises (Ministry of Finance and TAFREN, 2005):

- The Susahana Scheme is implemented by the Central Bank of Sri Lanka (CBSL) through licensed specialised banks, licensed commercial banks, registered leasing companies and registered finance companies. The scheme provides up to Rs100,000 per micro-enterprise, up to Rs10m per small and medium enterprise (SME) and up to Rs60m to tourist sector related industries. The interest rate is six per cent, with a grace period of one year and a repayment period of three to eight years. By October 2005 the scheme had 8,000 borrowers, mostly small-scale enterprises with an average loan size of Rs1m. Even though there is some flexibility with regard to collateral requirements, the number of businesses that are unable to meet bank requirements is estimated by CBSL at ten per cent of applicants
- The National Development Trust Fund is implementing a concessionary loan scheme funded under the ADB-supported Tsunami Affected Areas Rebuilding Programme. This scheme gives priority to SME from the lower income levels that face difficulties in accessing credit from other sources. The maximum loan is Rs100,000, the rate of interest six per cent per annum, the grace period six months and the repayment period three years. By October 2005 the number of loans disbursed was 5,570.

In addition to the CBSL scheme described above, there are over 40 micro-finance schemes operated by bilateral donors and international NGOs and private banks. They do not subsidise interest rates, but focus on speedy delivery. A significant number of low income SMEs does not have access to credit due to lack of collateral or the requirement to have had a pre-tsunami business registration. In summary, banks are reluctant to take on new or risky customers.

Grants in-kind, to replace income-earning assets and restart economic activities, are the main instrument used by multilateral, bilateral and NGO donor agencies. The grants focus mainly on the fisheries, agriculture and tourism sector. The Food and Agriculture Organization (FAO) alone has spent about $23m on replacing or repairing fishing boats and engines, providing fishing gear, rehabilitating landing sites and giving technical assistance. Numerous NGOs provided similar assets and services. Problems experienced were low capacity of the market for spare parts and nets. Targeting errors were another problem. "The numbers replaced and repaired for certain categories of crafts seem to be higher than the numbers damaged and destroyed" (ibid). At the same time, a number of affected fishermen did not receive any assistance – even in over-supplied districts.

A Sustainable Recovery of Micro Enterprise Sector Program, co-ordinated by UNDP, involves chambers of commerce and other groups in identifying and assisting affected entrepreneurs that are not covered by existing schemes. They hold business counselling workshops and run 'help desks' that assist affected SME to fill in loan applications and develop business plans. Some have formulated cluster-based livelihood approaches, integrating production and marketing and linking small business to big business.

1.2.4. Achievements and problems

"Considering the scale of the destruction and complexity of the issue, progress in livelihood restoration was solid" but "The threat of some tsunami affected families moving permanently into poverty cannot be ruled out entirely" (ibid). Prime concerns are:

- Targeting and co-ordination between agencies needs to be improved and communities have to be integrated into decision-making (see also Appendix 9).
- Forty per cent of the affected people have still not regained a sustainable livelihood.
- While sufficient resources in terms of loans and in-kind grants for livelihood restoration are available, there seems to be a funding gap for social safety nets.

In other words, once the government discontinues its tsunami cash transfers of Rs200 per person per week and WFP discontinues its tsunami food rations, the only remaining safety net for extremely poor households, who have not recovered, are the regular GoSL social protection schemes called Samurdhi and the PAMA. Samurdhi is a social transfer scheme that reaches 27 per cent of all households in Sri Lanka. But it has a targeting problem (only 53 per cent of the households in the poorest centile are covered by the scheme) and transfers only about Rs110 ($1) per capita per month. This is seven per cent of the official poverty line of Rs1,650. PAMA transfers even less (for details see Section 1.3).

1.3. Review of experience with cash and capital transfers before, in, and after emergencies

1.3.1. Review of the international experience with cash/capital transfers

Cash transfers in emergencies are mostly discussed and partly implemented as an alternative to food aid. In theory, cash can be used for any need for which there is a functioning market. In practice, cash has been used for long-term social protection as well as for emergency responses by national governments (including the GoSL), but relatively seldom by aid agencies.

Harvey (2005) has reviewed recent cash-based emergency responses by aid agencies and identified 27 cases worldwide (see Appendix 4). They include CfW, cash-for-shelter, cash-for-inputs and cash-for-basic needs in situations where droughts or other disasters have temporarily interrupted subsistence and income generation. Some agencies have played a particularly strong role in recent cash-based responses, notably the Swiss Agency for Development Cooperation (SDC) and Oxfam. WFP has, until now, remained a food aid agency, but interestingly is in the process of starting a pilot project in Sri Lanka that will, in a number of divisions, replace the weekly food ration with a cash transfer of Rs130 per person per week (Edirisinghe, 2005).

There is a substantial amount of literature on conditional cash transfer programmes that are implemented in Latin America, and on non-contributory social pensions that are implemented in a number of developing countries. Both types of cash transfers are long-term government financed programmes providing basic social protection on a continuous basis. Less evidence and research is available on cash in emergencies and very little on cash for rehabilitation and recovery. However, the publications on all these different types of cash transfers have one theme in common. They wonder why, in the past, most agencies in development as well as in humanitarian aid have been reluctant to even consider cash transfers as an option. A review of Save the Children cash transfer projects in Ethiopia (Adams and Kebede, 2005) concludes:

> "At a very simplistic level, why should agencies go to all the trouble and expense of delivering food to a household when the beneficiaries could go out and buy it themselves if given the cash? The same argument applies for in-kind development assistance compared to cash: agencies who undertake 'restocking' projects mention the difficulty of deciding what the beneficiary wants, as choice is influenced by age, sex, reproductive status, body condition, timing and price of the animal. Why not give them cash and trust them to make the decision that is right for them?"

To answer this question, authors have listed possible advantages and disadvantages of cash-based approaches (see Appendix 5) and have researched to what extent the perceived hopes and fears can be verified or falsified by empirical evidence. As a result of this research, authors emphasise that cash transfer programmes are feasible under most conditions, that they are successful in terms of their impact, that they are cost-effective, that they respect the recipient's dignity and quest for choice, that they avoid disincentive effects and provide multiplier effects for the local markets. Most authors have also evidenced that the fears regarding inflationary risks, anti-social use, security risks, targeting and delivery problems, corruption, and the fear of disadvantages for women, either had no empirical base or could be overcome with appropriate design. They conclude that the reluctance to use cash-based approaches is not solely based on valid concerns about the appropriateness of the approach, but on institutional and organisational barriers within the respective agencies.

This conclusion should not prevent further action and research into the feasibility and the positive and negative impact of cash transfers in development, emergencies and post-emergencies. On the contrary, organisations that are not restricted by internal institutional and organisational barriers, or by the tying of aid to surpluses in donor countries, should be encouraged to explore and make use of new and better ways to provide the most appropriate resources and services that meet the needs of their clients. This will contribute to the mainstreaming of cash responses, thus paving the way for other organisations to follow. It will also challenge attitudes and assumptions of aid practitioners that have been described by Sesnan (2004) as follows:

> "New aid workers are warned by older and wiser aid workers never to give cash money to beneficiaries. Complex justifications are developed. Some, like the fear of setting a precedent, might be more plausible than others, like 'they will just spend it' or they will misuse it. The fear of giving money is almost pathological among aid agencies, even though, or maybe because, it would be simpler and cheaper to give than any other form of help."

The following examples of cash transfers in emergency and post-emergency situations are of special relevance to the Sri Lanka study:

- An Emergency Cash Relief Programme in the Sool Plateau in Somalia distributed in 2003/04 a one-off payment of $50 to 13,830 households. The inter-agency assessment that triggered the scheme concluded that after seven consecutive rain failures, over 12,000 households were confronted with acute food and water insecurity and many faced destitution. The context was characterised by violent territorial disputes, patriarchal social structures and widespread use of the narcotic *qat*. The programme began with a training workshop between 21 and 24 December; households were registered on 28 December, and the majority of the distribution was completed by the end of January 2004.

  The external evaluation found that the programme was implemented well and largely achieved its objectives of slowing down the destitution of pastoral livelihoods and of reviving the local economy. Concerns about security risks and about misuse were largely unfounded. Households spent the cash mainly on debt repayment, food and water. Problems faced included difficulty obtaining sufficient cash in the right denominations, and the fact that the impact was diminished because the assumption that follow-up interventions would be in place immediately after the one-off payment failed to materialise (Ali *et al*, 2005).

- A cash-for-herders (CfH) project in the Zavkhan Province in Mongolia distributed in 2003 the equivalent of $200 to 2,348 beneficiary families. In the summer of 2003 Zavkhan was not in an emergency situation. However, it was in the process of recovering from particularly severe consecutive winters in which millions of animals had perished and the livelihood of thousands of herder families had been seriously affected. CfH aimed to assist the poorest and most affected families to make it through the winter without having to sell their last animals and/or taking up loans. The $200 corresponds to three months' income of a vulnerable family.

  The external evaluation concluded that the achievements of CfH had gone beyond the set target of covering the most urgent needs during the winter. Beneficiaries – who were free to spend the cash received according to their own priorities – decided to expand, diversify and strengthen their livelihood base. On average, 55 per cent was spend on buying animals, 20 per cent on repaying loans, and only 20 per cent on buying food. The administrative costs amounted to 25 per cent and could have been lower if the presence of Swiss experts had been reduced or if their outputs had been increased. Local capacity building, the participation of local leaders, and co-ordination with other development organisations would have further increased the impact of the CfH project (SDC-IFRC, 2005).

Some of the lessons learned from past and ongoing cash transfer programmes are:

- Before it is possible to make a judgement about the appropriateness of cash, it is first necessary to establish the objectives of the assistance programme (Harvey 2005).
- Beneficiaries have used transfers both for consumption and for investments to improve their livelihoods. The balance between consumption and investment seems to depend on both the size of the transfer and the severity of immediate consumption needs.

- The participation of all stakeholders – especially local leaders, government structures and community-level committees – in the design, implementation and monitoring of cash transfer programmes can contribute substantially to avoiding negative effects and conflicts and to improving positive impact.
- Co-ordination and co-operation with other humanitarian and development agencies is essential to avoid duplication, to exploit synergy effects and to ensure sustainability of the impact of one-off payments.
- There is a need to investigate the ways to link emergency responses to emerging social protection systems, which increasingly have a cash-based component (ibid).
- Cash transfer programmes should be accompanied by systematic efforts to measure their effectiveness and impact and to document and publish the monitoring and evaluation results, in order to be able to make a convincing case for their continuation and expansion (Harvey, 2005).

SDC has published a Cash Workbook based on the agency's extensive experience with cash transfer projects. It gives hands-on information on how to identify, design, manage, support and close down a cash project (SDC, 2003). The accompanying CD-ROM allows the reader to go deeper into the experience and know-how on cash transfers. It contains 140 documents categorised under: cash projects; checklists; and concepts, instructions, procedures, and tools. A website containing this information is also being prepared.

1.3.2. Review of the experience with cash/capital transfers to tsunami-affected households

The Tsunami Cash Learning Project promotes good practice in cash- and voucher-based responses in the tsunami-affected countries and in future emergency responses. Project outputs directly relevant for this study are the report on a workshop held in Sri Lanka in July 2005 (Adams, 2005), and the research on Cash Delivery Mechanisms (Aheeyar, 2005) commissioned by the project.

Key observations of the Sri Lanka workshop were:

- No agency, apart from the GoSL, provided unconditional cash relief immediately after the disaster. WFP provided food on a large scale while other agencies provided food, hygiene kits, household kits and other in-kind provision. Helvetas and SDC provided cash grants for families hosting displaced people.
- CfW projects involving clean-up operations and the reconstruction of infrastructure have been implemented by a number of organisations. No agency had an effective strategy of ensuring that vulnerable households were not excluded from assistance under CfW. It was also noted that CfW projects conflicted with seasonal agricultural labour demands.
- Cash grants for livelihoods are provided by a number of agencies (Mercy Corps, Oxfam GB, Oxfam Australia, CARE, Save the Children, Sanasa) mostly to partners who provide in-kind and/or cash grants and/or loans to beneficiaries. Some provide grants to the poorest households and loans to the better-off.
- Transitioning from relief to recovery to development seems to be a challenge for most agencies. There is a lack of realistic concepts on how to reach those who were poor *before* the tsunami – largely the 40 per cent that relied on others for support or labour opportunities.
- When supporting emerging businesses with loans or grants, the volatility of markets and the consumption needs of beneficiary households have to be taken into account.

- It was felt that bank accounts might be an option for delivering cash, but apart from GoSL programmes no agency had used the banking system to transfer cash.
- Cash grants and micro-finance are controversial issues. Should cash grants be used to repay pre-tsunami debts? Should the replacement of lost assets be financed by loans or grants or a combination of both? Would cash grants for asset replacement threaten the future of micro-finance?
- An ODI study on Cash Delivery Mechanisms in Tsunami Affected Areas in Sri Lanka (Aheeyar, 2006) concludes: "Use of formal banking system is the cheapest and quickest method of cash transfer, though agencies seldom used this method for cash transfer".

1.3.3. Experience with transfers in pre-tsunami Sri Lanka

The GoSL has a long history of transfer programmes in cash, in kind and in the form of food subsidies. In summary, it can be said that for the last 50 years Sri Lanka has, in one way or another, always experimented with elements of a welfare state. The programmes implemented were characterised by well formulated and ambitious concepts that combined social protection with sustainable poverty alleviation. Sadly, the implementation of these programmes, especially with regard to targeting and co-ordination, lacked effectiveness. The impact – measured by the objectives of the respective programmes – was also disappointing. One of the biggest of these programmes was the internationally recognised Janasaviya Programme (Wanigaratne, 1996). When the People's Alliance Government took over in 1995, Janasavija was replaced by the Samurdhi Development Programme which is reviewed below.

The Samurdhi Programme is based on the Samurdhi Act of 1995 and is implemented under the Ministry of Samurdhi and Poverty Alleviation. It has the objectives of integrating youth, women and disadvantaged groups into economic and social development activities, promoting social stability and alleviating poverty. The programme has a welfare component, a savings and credit programme, and rural infrastructure development projects (Salih, 2000).

Under the welfare component, households whose monthly income per person is less than Rs1,500 are entitled to receive assistance in the form of allowance cards that can be used to buy a number of basic consumer goods at a co-operative store. The value of an allowance card depends on the number of family members: Rs250 for a one-person household, Rs350 for two persons, Rs600 for three to five persons, and Rs1,000 for a six or more member household. From these amounts various 'contributions' for insurance and savings schemes are deducted which add up to Rs140. In this way, a household of three to five persons gets only Rs440 (Rs600 minus Rs140).

In the Policy Statement made by the newly elected President Mahinda Rajapske at the opening session of the New Session of Parliament on 25 November 2005, it was announced that the Samurdhi allowance will be increased by 50 per cent. A date for this increase was not given (*Daily News*, Saturday 26 November 2005).

The Samurdhi programme has a number of defects:

- Targeting is not effective. Only 52.6 per cent of the households in the poorest income centile (first decile) are covered, whereas between 20 and 30 per cent of the fifth, sixth and seventh deciles receive Samurdhi transfers (see Appendix 6).
- The transfers are extremely small. For a four-person household the transfer per person is Rs110 ($1) per month, which is a contribution of only seven per cent towards the official poverty line. If increased by 50 per cent it will still be small compared to the needs of extremely poor households.

- From the 21 extremely poor and labour-scarce households interviewed by the survey team, only eight received the Samurdhi transfers. In 'uncleared areas' (where household interviews were not possible) the share of Samurdhi recipients was higher (information from focus group discussions).

The PAMA is administered by the Ministry for Social Welfare. It provides cash transfers to households with an income of less than Rs1,500 per month. The monthly payments range from Rs100 per month for a one-person household, to Rs330 for a household with six or more persons. Transfers are in cash and use the post office network for delivery. The PAMA covers both GoSL and Liberation Tigers of Tamil Eelam (LTTE) controlled areas alike. From the 21 interviewed households, seven received the PAMA.

The Samurdhi programme and the PAMA are not co-ordinated, leading to overlapping and gaps. Four of the 21 interviewed households received Samurdhi as well as PAMA transfers. Neither programme was involved in the tsunami relief and rehabilitation efforts, and both Ministries had, at the time of writing this report, no plans to cater for the specific needs of the tsunami-affected households.

2. Analysis of livelihood recovery needs and programmes in Trincomalee District

2.1. Review of tsunami effects on livelihoods

Trincomalee District is part of the North East Province (see map below). It has a population of 394,476 living in 94,467 families (2003 data). Out of the total, 169,219 (43 per cent) are under 18 years of age; 39 per cent are Muslim; 30 per cent are Hindu (also called Tamils); 26 per cent are Buddhist (nearly all Sinhalese); and five per cent are Christians. Fishing, agriculture and tourism are the dominant economic sectors.

During the last 20 years a large part of the population has been affected by the civil war. Large numbers of people were displaced and lost their land and belongings due to the conflict. Since the ceasefire, parts of the district are controlled by the LTTE. Due to lack of investment and maintenance, the infrastructure is deteriorating and public services are poor. In other words, even before December 2005 Trincomalee was severely hit by the conflict and by neglect of development.

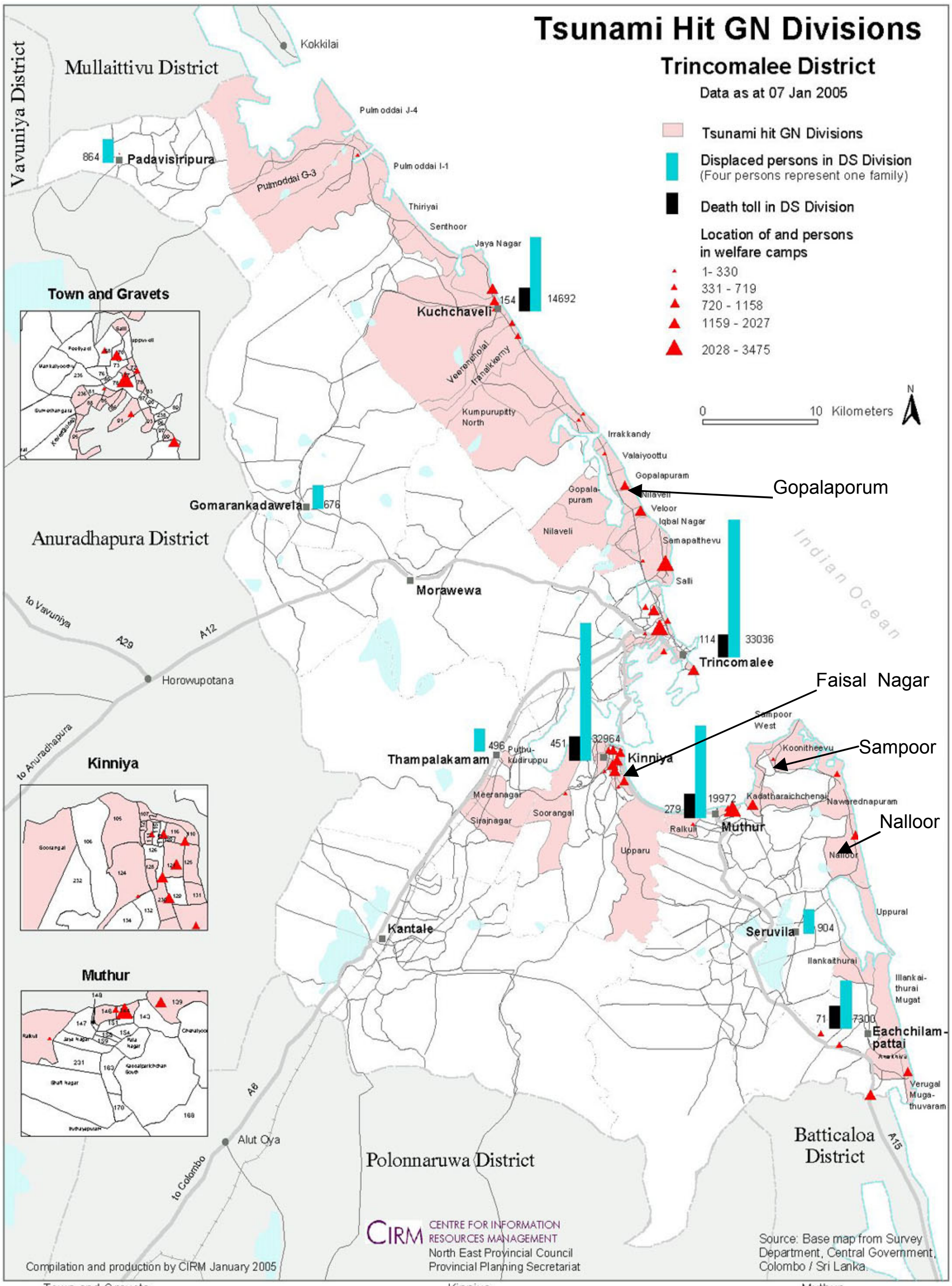
Due to its long coast line (142 km), Trincomalee is one of the most tsunami-affected districts: 126,675 people living in approximately 27,000 households were directly affected; 72,986 people were displaced and are now mostly living in temporary shelters; and 967 were killed. The fishing population living very near to the coast was hardest hit, loosing their boats, equipment and houses. Farmers had their land flooded and salinated. Shopkeepers, petty traders and craftsmen lost their equipment and working capital. The map below gives details of the damage caused.

A review of the pre- and post-tsunami situation in the four villages surveyed is given below. The location of each village is indicated on the map.

2.1.1. Faisal Nagar, Kinniya Division, Trincomalee

The town and surrounding lands of Faisal Nagar were severely affected by the conflict in 1985/86. Community leaders in Faisal Nagar estimate that there were originally 800 households, but that an additional 1,500 arrived in the town at this time. The displacement occurred particularly from 'uncleared' (LTTE controlled) areas. A further 400–500 displaced people arrived in Faisal Nagar following the tsunami. There are now approximately 2,800 households in Faisal Nagar town and its hinterland.

Those displaced by the war lost most of their assets and remain unable to access their land for cultivation purposes. Many of the displaced lost the legal paperwork confirming ownership of their land. Other assets that households had managed to replace since displacement have now been lost or destroyed by the tsunami.



Town and Gravets

ID	GN Division	ID	GN Division
67	Peeliyadi	86	Linganagar
68	Varothayanaga	87	Sivapuri
70	Puliyankulam	88	Poompuhar
72	Murugapuri	90	Perunttheru
73	Selvanayagapuram	91	Orr's Hill
76	Mihindapura	92	Arasady
77	Jinnanagar	93	Thillainagar
78	Abayapura	96	Arunagirinagar
79	Thirukadaloor	97	Villundy
80	Anpuvalipuram	99	Manayaveli
81	Koviladi	235	Andankulam
83	Pattanatheru	236	Singapura
84	Palaiyoothu	238	Sonagavadi
85	Mudcove		

Kinniya

ID	GN Division	ID	GN Division
105	Kurinchchakerny	128	Kuttikarachch
106	Nadutheevu	129	Maharoof Nagar
107	Periyathumunai	130	Alankerny
110	Rahumaniya Nagar	131	Annal Nagar
111	Periya Kinniya	132	Samavachathevu
112	Ehuthar Nagar	134	Maharoof Gramam
115	Malimthurai	135	Faizal Nagar
116	Sinna Kinniya	137	Nadooththu
120	Kattaiaru	138	Poovarasantheevu
121	Mancholai	140	Eachchantheev
124	Munaichchenai	230	Idiman
125	Mancholaochch	232	Kakamunai
126	Kinniya		

Muthur

ID	GN Division	ID	GN Division
143	Kaddaiparichchan N.	163	Alim Nagar
144	Thaqwa Nagar	170	Jinna Nagar, Muthur
146	Nadutheevu	174	Allai Nagar East
147	Muthur West	176	Allai Nagar West
148	Thaha Nagar	190	Palathadichchani
151	Muthur East	191	Jinna Nagar, Thoppur
154	Neithal Nagar	197	Barathipuram
158	Muthur Central	231	Periya Palam
159	Anaichchenai		

Listed tables refer to zoomed map windows of DS Divisions where GN Division label could not be placed.

The ethnic balance of the town has changed little (80 per cent Muslim, 20 per cent Tamil) despite the arrival of large numbers of displaced peoples from both the war and the tsunami. There are two mosques and one Hindu temple in Faisal Nagar. Each has its own leadership committee and links to its community. Community leaders report that there was peaceful co-existence between these groups before the tsunami. However, usual community relations have not been maintained since the tsunami due to a variety of practical problems, such as access, transport, further displacement, etc.

According to local community leaders, before the tsunami 75 per cent of the village's labour force were variously employed in the fishing industry, ten per cent were farmers and the remaining 15 per cent were jungle clearers, businessmen and daily labourers ('coolis'). Now, only 12 per cent of village labour is employed in the fishing industry. Other sectors have experienced some economic downturn because of the reduced income within the town.

Most villagers now live in temporary shelters, constructed by a number of government agencies, the UN and NGOs. The only hospital in Kinniya District was destroyed in the tsunami and now all of Faisal Nagar (and the rest of Kinniya) depends on an eight-bed tent hospital. A few private dispensaries have opened after the tsunami. The government hospital charges no fee but there is a scarcity of doctors. Private clinics charge up to Rs200 for an examination and patients have to spend about Rs150 per round trip on transport.

2.1.2. Gopalaporum, Kuchchaveli Division, Trincomalee

Situated seven kilometres north of Trincomalee town, the village of Gopalaporum was directly affected by the tsunami. Out of 590 households in the village, 170 houses were completely destroyed and 95 were partially destroyed. Due to their proximity to Trincomalee town, most households in the village have been comparatively quick to recover from the tsunami.

The village is a mix of Muslim and Tamil (20 per cent Muslim, 80 per cent Tamil), which has remained the same since the tsunami. Community leaders are keen to point out that there are few differences between the ethnic groups. Before the tsunami, most Muslim households lived near the coast. Now, they live furthest away from the sea, having been displaced beyond the pre-tsunami boundaries of the village. There is a mosque and a Hindu temple in the village.

According to community leaders, before the tsunami approximately 50 per cent of the labour force in the village was involved in the fishing or agricultural industries (20 per cent undertook both fishing and agricultural activities) and 35 per cent were coolis (mostly in the agricultural or construction sectors). The remaining labour force was employed in government, business or construction sectors.

Most agricultural land near the coast is now saline and will remain so for two to three years. Fishermen did not return to their employment for three to four months after the tsunami, but have now begun to do so, albeit in smaller numbers.

Post-tsunami construction is apparent throughout the village and there are few temporary shelters visible. Some villagers now occupy land owned by friends or family and some households rent shelters from neighbours.

Trincomalee town, with its free, public hospital is easily accessible. However, there is a paucity of available doctors at this hospital and in the district generally.

2.1.3. Sampur and Nallor, Muthur Division, Trincomalee

Sampur and Nallor villages are in an LTTE controlled area of Muthur Division. Although only 15 kilometres away, it takes three hours to travel to the crossing point into 'uncleared' areas from Trincomalee town. This is because the conflict situation has not allowed the rebuilding of bridges, the development of ferry infrastructure, etc, in this area. There are generally poorer services in LTTE controlled areas due to a lack of investment in basic services.

Sampur, Nallor and their immediate hinterlands are particularly sensitive military areas, as there is an armed LTTE installation at Sampur and government military installations in nearby Chinese Bay.

LTTE controlled areas are exclusively Tamil. Muslim families began to be displaced from these areas from 1985/86, after the commencement of the ethnic conflict. The Division's main town of Muthur is only five kilometres away from Sampur. This town is predominantly Muslim and in a 'cleared' area.

Nallor village is approximately six kilometres beyond the crossing from the GoSL controlled areas. It has a total of 128 households. Between 15 and 20 per cent of the village still lives in displaced camps.

Before the tsunami, approximately 70 per cent of Nallor's labour was involved in fishing and hunting activities. These are traditional income activities of the very low caste in Sri Lanka. However, all the fishing equipment in Nallor was lost in the tsunami, meaning only a few villagers were employed in the fishing industry at the time of the survey. Hunting continued.

Only a small percentage of Nallor's households are farmers. However, these farmers were not badly affected by the tsunami and paddy cultivation and production has continued, more or less untouched.

Education levels in Nallor are low. Furthermore, the village has not been culturally and economically integrated into other LTTE controlled areas, let alone GoSL controlled areas in the district.

Sampur village is approximately two kilometres beyond the crossing from GoSL controlled areas. It has a total of 760 households. Community leaders estimate that just over 20 per cent of Sampur's labour is involved in the fishing industry as boat owners, fishermen employees or coolis. Sixty per cent of the village's labour is involved in agricultural work and ten per cent undertakes both fishing and agricultural work. The remaining ten per cent of the labour force is either involved in local business or employed by the government. Since the tsunami, employment in all sectors has reduced. The fishing industry has not recovered and many are now unemployed or rely on cooli work for an income. All fishing equipment was lost during the tsunami.

The majority of those employed in agricultural work have continued their employment since the tsunami, but productivity has reduced. This is because of the considerable loss of livestock and stored grains, and the salinity of the land.

Education levels in Sampur are higher than Nallor, partly because the village has its own secondary school. The village is also more culturally and economically integrated into the district than Nallor, partly due to proximity to Muthur town's markets. Nonetheless, Sampur is not, and cannot be, fully integrated into district markets at the present time, due to the ongoing effects of the conflict.

2.2. Assessment of ongoing and planned livelihood recovery programmes of Save the Children and other agencies

Save the Children is one of approximately 132 agencies involved in the tsunami disaster relief and in livelihood recovery activities in Trincomalee District. Nobody knows how many programmes are ongoing or planned by this multitude of actors and how many households are or will be covered. Appendix 7 gives a breakdown of the types of programmes offered and the number of households targeted by Save the Children, CARE and Christian Aid. These agencies alone are already targeting 4,511 households. Oxfam, Red Cross, World Vision, Caritas, Mercy Corps, People in Need, UNDP, UNICEF, UNHCR and FAO are other big players. Judging from the scarce information we have, it seems that the number of households targeted by the different organisations may well exceed the number of affected households. As described in the newspaper article in Appendix 9, there seems to be an unco-ordinated oversupply of actors and programmes.

A closer look at the types of programmes offered reveals that they are either infrastructure related (wells, irrigation channels, roads) or are providing or replacing assets and/or working capital for income generating activities (boats, canoes, fishing gear, livestock, poultry, sewing machines). Most provide assets in kind. Some provide conditional cash grants.

Appendix 8 gives the monthly net income projected from the participation in business promotion programmes, which are implemented or are planned by Save the Children in Trincomalee District. Taking into account that many of the other 131 agencies are offering similar programmes, and that the demand for the products and services offered is limited, the projected income for some of the business opportunities offered could be too optimistic. This may, for instance, be the case for sewing machines, poultry and goat rearing, which have all been projected to have a net return of Rs2,000–3,000 per month.

At the time of writing this report, most tsunami-affected households are still receiving the weekly government and WFP transfers which add up to approximately Rs1,500 per person. These transfers protect the receiving households from acute poverty, irrespective of whether the household has recovered from the tsunami or not. In fact the poorest households are – with regard to their current income – better-off than they were before the tsunami and eat relatively well (see Table 4).

Once the transfers were discontinued at the end of 2005, the well-being of a household has depended on the stage of recovery achieved with or without the assistance received from the livelihood recovery programmes. When asked to estimate the number of households in different stages of recovery, the village leaders gave the information documented in Table 1. They feel that only about 30 per cent have recovered (compared to the 60 per cent estimated by TAFREN – see Section 1.2). Another 30 per cent are in the process of recovery; 30 per cent have not even started to recover; and about ten per cent – according to the perception of the village leaders – will not be able to achieve a sustainable livelihood in spite of all the business promotion programmes offered by the aid agencies.

Table 1: Stages of recovery from tsunami in surveyed villages

Village	Division	In recovery	Starting to recover	Not yet recovering	Incapable of recovery
Faisal Nagar	Kinniya	30-35%	25-30%	25-30%	5-10%
GP	Kuchchaveli	25-30%	35-40%	25-30%	5-10%
Nalur	Mutthur	20%	20-50%	25-50%	0%*
Sampur	Mutthur	10%	15%	60-65%	10-15%

* Even widows and disabled people insisted all could be self-sufficient, if given support for income generating activities. Ten households out of 128 (eight per cent) have no able-bodied labour.

When asked to describe which types of households would not be able to meet their basic needs, even with the help of business promotion programmes, they named widow-headed, disabled-headed, elderly-headed and child-headed households – all households with no or few breadwinners. Widow-headed households was seen as the biggest category, resulting from the fact that many men had been killed in the armed conflict and some fishermen by the tsunami. However, there are also other types of single-parent households (divorced, abandoned, unmarried) that suffer from lack of labour.

The village leaders confirmed what is already obvious from the analysis of the agency response given above. The livelihood recovery programmes offered in abundance by a multitude of agencies are not tailored to the needs of the poorest households, who are at the same time labour-scarce. All the offered programmes promote labour-based economic activities. By definition, labour-scarce households are less able to profit from labour-based business opportunities compared to households with labour.

Some of the programmes, like sewing and poultry keeping, may be suitable for labour-scarce households because they can be done as part-time activities in the home. But it is exactly these enterprises where the supply of products and services exceeds the demand – NGOs distributed hundreds of sewing machines. Therefore the projected monthly incomes from these activities – small as they are – may still not be realistic.

In summary, the team identified two gaps between the needs of the tsunami-affected households and the agency response to these needs:

- Once the weekly government and WFP transfers are discontinued, a large number of not-yet-recovered households will immediately be hit by poverty and food insecurity. Over a period of approximately two years most of these households will, in one way or another, recover (eg, because of business promotion programmes offered, the labour market picks up, etc). But there will be a medium-term period of hardship to which the agencies have no plans to respond
- The most vulnerable of the affected households, the extremely poor and labour-scarce category, are in danger of being bypassed by the agency response. As this is the biggest gap between needs and response, the next section will analyse the situation of the extremely poor households in detail.

2.3. Detailed analysis of extremely poor households

2.3.1. Analysis of their structure and income

From a list of households classified as extremely poor and lacking labour power that was given by village leaders in Faisal Nagar and Gopalaporum, 48 were interviewed. For details on the survey methodology used see Appendix 3. It turned out that 21 of the interviewed households had either no adult fit for work or had a gender-adjusted dependency ratio of over four, while 27 had a ratio of four or lower.

The dependency ratio is the relation between the total number of household members and the number of household members fit for income generating work (potential breadwinners). Those fit for income generating work are all household members aged 18 to 60 years who are physically and mentally fit. However, taking social and religious norms into account, women are only calculated at being half (50 per cent) fit for work. The formula to calculate the gender-adjusted dependency ratio is:

$$\frac{\text{Total number of household members}}{\text{Men fit for work} + \dfrac{\text{women fit for work}}{2}}$$

The households with a dependency ratio over four are classified for the purpose of this study as extremely poor and labour-scarce. An analysis of the household structure and income of each of the 21 households is given in Appendix 10. The households with a dependency ratio of four and lower are classified as extremely poor with labour. An analysis of the household structure and income of the 27 households in this category is given in Appendix 11. For both groups of households, the income data given do not include the tsunami-related government and WFP transfers, but all other earned and transfer incomes.

A comparison of the two groups of households classified by the community leaders as extremely poor leads to the following conclusions:

- The total income per person in both groups varies between no income and Rs3,000 per person per month. Those without income live entirely on the current tsunami relief transfers (which will leave them without income when they are discontinued).
- Using the official inflation-adjusted poverty line of Rs1,650 per person per month, all but five of the households with labour and six of the labour-scarce households fall below the poverty line
- None of the households with labour reports earnings from child labour, while three of the labour-scarce households have substantial income from child labour. When income from child labour is excluded, the number of labour-scarce households over the poverty line is reduced to just three; and two of these households received substantial transfers from relatives.
- Incomes earned by adult males are, in both groups, two to three times higher than those earned by adult females.
- Unearned income received from relatives, the community or begging is an important source of income for half the labour-scarce households, but for only 20 per cent of the households with labour.

- In both groups, about half of the households receive small government transfers (Samurdhi and/or PAMA). This confirms that the targeting of the government social protection schemes is not effective and that the contribution of these schemes to the livelihood of the extremely poor households is marginal.
- Fifty per cent of the members of labour-scarce households are children, and only four per cent are fit adult men; in households with labour, the share of children is 33 per cent and the share of adult men is 20 per cent.

In summary, both groups of households are more or less equally poor. But there are different reasons for their poverty. The households with a dependency ratio of four and lower have unemployed and underemployed labour. They need jobs and business opportunities to use this labour productively. Given that the labour market is in a process of recovery – especially in the fishing sector – and that the donor agencies are offering an abundance of programmes that promote economic activities, most of these households have a chance to escape poverty within the next two years. Most of the labour-scarce households, however, will not (or not sufficiently) benefit from the labour market recovery and from the promotion of self-employment. They, and the many children living in these households, are caught in a poverty trap.

2.3.2. More detailed analysis of the livelihoods of labour-scarce households

In order to identify the specific needs of extremely poor and labour-scarce households, the study team has analysed their situation in more detail. Table 2 shows the type of transfers the extremely poor and labour-scarce households interviewed have been receiving (January to November 2005). Most of these transfers are tsunami-related: all are getting the weekly Rs200 per person and the WFP food aid. All have received three or four instalments of Rs5,000 from the government. Two got a first instalment to rebuilt or repair their houses.

Table 2: Transfers received by extremely poor and labour-scarce households in Faisal Nagar and Gopalaporum (January to November 2005)

Type of transfer	Donor	Value (Rs)	Number receiving	% receiving
Tsunami-related			***(n = 21)***	
200	Government	200 / person / week	21	100%
Food aid	WFP	100-150 / person / week	21	100%
5,000	Government	5,000*, 3 or 4 times in 2005	21	100%
Housing grant	Government	50,000	2	10%
Income generating activity support	NGOs	25,000	2	10%
Non-tsunami-related				
Samurdhi and PAMA	Government	460 / HH / month	4	19%
Samurdhi only	Ministry of Samurdhi	360 / HH / month	4	19%
PAMA only	Ministry of Social Welfare	100 / HH / month	3	14%
Neither			10	48%

* Rs2,500 for single-person households

These data signal that the government is at the moment reaching each and every household in this category. These transfers are sufficient to keep all the households well over the poverty line of Rs1,650 per person per month. Compared to the substantial aid received from the government and WFP, the aid from the 132 donor agencies is negligible – only two households received income generating activity support.

One could argue that extremely poor and labour-scarce households are simply not the natural clients of aid agencies and should be referred to government safety net programmes. But for the interviewed households this is only a theoretical solution. Half of them (48 per cent) are not reached by any non-tsunami-related safety net scheme. For the other half, the monthly transfers received range from Rs25 to Rs115 per person per month (assuming a four-person household).

In a way, the tsunami is a blessing for the economic situation of the extremely poor and labour-scarce households. But the blessing is only temporary. Neither the government nor the aid agencies have a concept of how to meet their needs once the relief transfers are discontinued.

Except for the two households that are rebuilding their houses, and except for the temporary shelters (but not the land on which these shelters are built) which have been provided to most interviewed households, they have no assets. This means that there is nothing that the extremely poor and labour-scarce households could use to cushion the expected shock when the relief is phased out, except their social capital (transfers from relatives, from the community and from begging).

The gap between the income of extremely poor and labour-scarce households and the Rs1,650 per person per month poverty line varied widely (see Table 3). The mean group are households with a gap of Rs600 and Rs1,000. The households with the biggest gap (the poorest of the poorest) have the highest share of children.

Table 3: Current income of extremely poor and labour-scarce households in Faisal Nagar and Gopalaporum, excluding current tsunami relief
(Rs per person per month, for October-November 2005)

	Total	**0-300**	**301-600**	**601-1,000**	**1,001-1,650**	**>1,650**
No. of HHs	*21*	4	4	3	4	6
% of HHs	*100%*	19%	19%	14%	19%	29%
No. of children	*44*	11	6	4	5	18
% of children	*100%*	25%	14%	9%	11%	41%

Note: Income includes earnings from work, from begging, from family or community support and GoSL welfare payments, except those related to tsunami relief. Three of the six households that have an income of more than Rs1,650 generate a substantial part of that income through child labour.

2.3.3. Needs of children living in extremely poor households

Children living in extremely poor households in tsunami-affected villages are exposed to child labour and abuse, food insecurity and the danger of being recruited to different rebel groups. They also have limited access to education and health services (see Box 1). These problems are caused by a combination of the following factors:

- Families have no or only few breadwinners (they are elderly-headed, disabled-headed, single parent-headed, or child-headed households).

- Caregivers (especially women) do not earn sufficient income to meet basic needs, which is partly caused by the family structures (high dependency ratios).
- Education and health facilities are damaged.

The ongoing rehabilitation of educational and health facilities will reduce some of these problems. In addition some of the affected children and their caregivers need psycho-social counselling. For the poorest households the most urgent need is additional income in order to reduce the dependency on child labour, improve their food security, reduce the need of widows to seek employment away from their homes (exposing children to risks) and to be able to pay for basic health care and tuition.

Box 1: The tsunami's impact on children

Presence of seasonal child labour: Children of poor and resettled families are pulled out of school seasonally, especially in the fishing season, to help augment family incomes. They are particularly valued for their careful work in inshore fishing, and can earn up to Rs500 per day. From a livelihood point of view, this is an important source of income to the family. Some children in this category actually felt that they could cope with school and seasonal labour, if they were supported with evening classes. There are also instances of children working in shops as errand boys, and supporting their widowed mothers.

Children of widows are under stress: As widows struggle to re-establish businesses within the slowed village economy after the tsunami, they spend more time outside their homes, and entrust their children to relatives or neighbours. Many of these homes have adult males who are unemployed, and/or alcoholic. Cases of child abuse have been reported.

Children as heads of households: Even if this is rare, it indicates the severity of the impact of the tsunami on some households. Besides the loss of an education, children mature very early in these circumstances. Some have requested support to be able to continue with education in the evenings.

Food security for children: A recurring theme is the shortage of food, or the lack of quality nourishment after the tsunami. In most families, women sacrifice their meals so that children and men are able to eat reasonably. General knowledge about food supplementation through home gardening is poor; this is a potential that can be realised in most places once permanent resettlement is achieved.

Access to education: With resettlement, most children live far from their schools. The poor condition of roads and the extremely weak transport services to these areas make the long journeys a real problem. Most of these children are used to evening supplementary classes and tuition, but are now unable to afford these services, or unable to reach them as they are far from their homes.

Access to health facilities: This was weak in the past, and now has reached critical proportions. Cases of death in transit to hospitals over poor roads have been reported. The lack of reliable and cheap medical facilities is a major concern expressed by all socio-economic groups.

(Continued overleaf)

(Box 1: Continued)

School enrolment: School meals are provided in two of the villages that were analysed (Iqbalnagar and Annalnagar) with WFP support. Principals of both schools report that the meal is an important incentive for children to continue attending school, despite the other pressures they face. High drop-out rates have been reported after the tsunami, mainly because of lost livelihoods and displacements. Children providing support to the family while parents seek supplementary incomes, is also a major reason for not attending school.

Abduction: Abduction of children for recruitment to the different rebel groups in the area has reportedly increased in frequency since the tsunami. Parents are concerned that new livelihood arrangements will cause them to be away from their homes for longer periods, exposing their children to greater risk of abduction.

Source: Suresh *et al*, 2005

3. Options for supplementing livelihood recovery efforts with cash/capital transfers

The analysis of livelihood recovery needs, and of government and donor responses, given in the preceding sections, identified a number of gaps between assistance offered to tsunami-affected households and assistance required. The following four scenarios describe these gaps in detail, outline options for cash/capital transfer projects tailored to fill these gaps, and assess the pros and cons of each option.

3.1. Medium-term monthly cash transfers to mitigate shock when relief programmes terminate

When the cash transfers and food transfers provided by the GoSL and WFP are discontinued, transfers will still be needed by the 40 per cent of households that have not yet recovered from the tsunami.

Despite several announcements that it will discontinue cash transfers, the GoSL has so far continued to pay them to all affected households, except to those receiving salaries from employment as public servants and those who received a GoSL grant for rebuilding their houses. At the time of writing, it is not yet certain if and when they will be discontinued, but observers believe that it will happen at the end of 2005. It was not possible to get any official statement on this issue. However, discussions with WFP representatives revealed that WFP will definitely stop providing food rations at the end of 2005.

When transfers stop, recipient households will face a shock. Those that have not recovered will experience serious problems meeting their basic needs, and are likely to become food insecure. A cash transfer of approximately the amount now paid by the GoSL (Rs200 per person per week) and targeted at non-recovered households, would reduce this shock. It would also give them time to start their economic recovery by, for example, participating in one of the many income generating activities promoted by the NGOs (see Appendix 7). Transfers are expected to protect households from food insecurity, which is a precondition for successfully engaging in income generating activities. Without transfers, a number of these households could become (increasingly) indebted and destitute.

However, as such a project would be limited to a two-year period, and some households may require transfers beyond that period, the concept would have to be linked to a GoSL's social protection programme. It would have to be designed so that the GoSL programme would gradually take over the implementation and funding: Save the Children's exit strategy.

Unfortunately, the survey team failed to find a GoSL department sufficiently concerned about what happens when existing transfers stop. No department seems to feel responsible for mitigating the expected shocks. Discussions with senior officials of TAFREN, the Ministry for Samurdhi and Poverty Alleviation, and the Ministry for Relief, Rehabilitation and Reconciliation were inconclusive. Representatives of the departments that were interviewed were mildly interested, but not alarmed. The team found no GoSL department interested in discussing options for mitigating shocks or how roles could be divided among different partners.

Their 'wait and see' attitude may have been partly because the consultancy coincided with presidential elections (17 November 2005). However, without the decisive involvement and commitment of GoSL departments, such a cash transfer project is not feasible.

The survey team, however, urges Save the Children to advocate further for a well-thought-out exit strategy for the tsunami-related government transfers, to protect not-yet-recovered households from additional shocks.

3.2. Unconditional one-off capital transfers for households not yet employed or engaged in income generating activities

There are a number of potential opportunities for households with unemployed or underemployed members to use financial capital to reactivate economic activities disrupted by the tsunami or to start new income generating activities. The financial capital required could be provided as a one-off transfer to households that have not yet started their recovery. The decision on how to invest the capital would be left to the household. The underlying assumption of this strategy is that financial capital is the only, or the main, missing asset preventing people from creating sustainable livelihoods.

This assumption seems to be realistic for a number of households, especially for those who were self-employed before the tsunami and who can – after replacing lost equipment, material and working capital – restart their business. Many of these households belong to the already-recovered or recovery-in-process categories. They have been assisted by in-kind asset replacement programmes, and/or have received conditional cash transfers or loans or a combination of loans and transfers.

Other households in the recovered or starting-to-recover categories have already made use of NGO programmes that assist the start-up of new income generating activities, by providing capital in kind or in the form of conditional cash transfers combined with training.

Most of the 40 per cent that have not started to recover seem to need more than just capital to create a sustainable livelihood. Some lack entrepreneurial skills. Some have been busy rebuilding their houses, or have not felt a pressing need for income generation while the relatively generous GoSL and WFP transfers exist. Some are at the bottom of the waiting lists for NGOs that offer assistance, and will start their recovery process at a later time. For some – the extremely poor and labour-constrained households – the main missing factor is not financial capital but human capital.

> "Save the Children pointed out that their research showed that 40% of households aren't likely to be able to exploit enterprise opportunities as they are used to labouring and waiting for these opportunities to return – so cash grants for productive assets won't help them." (Adams, 2005)

For these reasons, a livelihood recovery strategy of providing unconditional large capital transfers to a significant share of the not-yet-recovered households, may not be realistic. In order to assess the feasibility of this option with a sufficient degree of certainty, a pilot scheme in a small number of villages would have to be conducted. As long as there is no evidence supporting the feasibility of this option, it cannot be recommended for large-scale implementation. It may be more appropriate for the 30 per cent of not-yet-recovered households with unemployed labour to offer their labour on the recovering labour market and/or to use the multitude of income generating programmes offered by NGOs. The ten per cent that are households lacking human capital will require incomes that are not labour dependent.

3.3. Supplementing/replacing in-kind asset transfers or conditional capital transfers with unconditional cash/capital transfers

Due to time constraints, aggravated by restrictions to the survey team's mobility imposed before and after the presidential elections, the team had to prioritise the number of options investigated. For this reason – and because the analysis given in Chapters 1 and 2 does not indicate that this is a high priority issue – the team has not conducted research into the relative benefits of supplementing or replacing the ongoing asset replacement programmes or conditional cash transfer programmes with unconditional cash/capital transfers.

3.4. Capital-based transfer incomes for extremely poor and labour-scarce households

Despite the plethora of NGO programmes promoting labour-based economic activities in Trincomalee district, no programmes tailored to the needs of labour-scarce households exist. These households were analysed in detail in Section2.3. The current range of livelihood recovery programmes offers them little hope.

This situation is aggravated by the ineffectiveness of existing basic social protection programmes like Samurdhi and PAMA (see Section 1.3), which have not reacted to the needs created by the tsunami and which have not even started to plan for the basic social protection needs of those unable to achieve a sustainable livelihood. The biggest gap between needs and responses is clearly faced by extremely poor households, which have little or no human capital.

These households currently benefit from the GoSL and WFP transfers, which provide many with more income than they had before the tsunami. When these stop they will have few other income sources or assets to fall back on. Some may receive assistance from relatives, or earn small and unreliable incomes from petty activities like sewing and hawking. The main coping strategy will be begging and reducing consumption to an extremely low level. Children living in these households will be deprived of their most basic needs.

Such households require regular transfers that fill the gap between their small income and the income required to meet minimum basic needs. According to our calculation (see Section 2.3) the gap is, on the average, Rs800 per person per month. This is lower than the present GoSL and WFP transfers (totalling about Rs1,500 per person per month), but much higher than the present Samurdhi transfers of Rs100 per person per month. Due to ineffective targeting, the latter is received by only some of these poorest households.

Taking the nature of this category of households into account, transfers are required for a long time until the household structure changes for the better. For instance, for a household with small children it may take over ten years before the children have grown up and can be considered breadwinners. This poses the question: how can a two-year project provide long-term regular social transfers? It cannot.

However, instead of paying regular monthly transfers directly to beneficiary households, the project could transfer a one-off capital grant to each household, which is invested in such a way that it generates a long-term return (interest). This return would provide the required monthly contributions to the livelihood of the households. The investment would have to be made in such a way that interest rates are fixed for a long period and risks are minimised. Beneficiaries would receive regular payments into their private accounts, but would not be able to withdraw the capital. Due to inflation the value of the monthly cash transfer will decrease steadily over time. This can be seen as an incentive for the household to build up alternative sources of income over a longer period wherever possible.

The advantage of this option is that, once the capital has been transferred and invested, the task of delivering the monthly transfers is completely left to a reliable financial institution (like a government bank). Also no follow-up in terms of administration and logistics is required. Except for the targeting (which will be difficult, requires utmost care, and will have high administrative costs) and monitoring and evaluation, other administrative and logistical costs are low. Assuming effective targeting, risks of corruption and leakage will be minimal. The only major and unpredictable risk is inflation.

For these reasons, capital-based transfer incomes for extremely poor and labour-scarce households seem to be the most promising option for supplementing ongoing and planned livelihood recovery efforts with a cash/capital transfer project. The following chapter will assess the feasibility of this option in detail.

4. A capital-based income generating project for extremely poor and labour-scarce tsunami-affected households

4.1. The project concept

A summary of the project concept is provided in Appendix 12 in the form of a logical framework, plan of activities and a cost calculation.

4.1.1. Target group and objectives

The target group consists of tsunami-affected households that are extremely poor and labour-scarce. Many, but not all, of the widow-headed, elderly-headed, disabled-headed and child-headed households belong to this category. The size of the target group is estimated at approximately 2,700 households – ten per cent of the total number of tsunami-affected households in Trincomalee District.

The objective of the project is to reduce the poverty and food insecurity of the target group by providing them, for a long period of time, with regular and reliable capital-based income in cash, in order to improve the welfare of all household members in a significant and sustainable way – including the welfare, rights and protection of children living in these households.

4.1.2. Targeting criteria and process

The units to be targeted are households, not individual persons. A household consists of all persons living under the same roof and sharing their food and other resources. Households are eligible if they fulfil two criteria:

- extremely poor: have no reliable source of income, are food insecure, have to resort to begging
- labour-scarce: have a gender-adjusted dependency ratio above four. The rationale for using a gender-adjusted dependency ratio of four as a cut off point is based on the income earning capacities of fit adult men and women. Men are able to earn Rs6,000 per month, which is sufficient to support four household members. Women are only able to earn half as much.

As the project concept is entirely based on one-off large capital transfers, it is of utmost importance that the effectiveness of targeting is high. The fact that the targeting of Samurdhi is flawed (see Section 1.3), signals that effective targeting under the prevailing conditions is not easy. There are no existing mechanisms, lists of deserving households, or institutions that can guarantee effective targeting. The project will have to design its own targeting mechanism, taking experience accumulated by other programmes into account.

Experience from Save the Children programmes and observations made in the surveyed villages indicate that community members know which households fulfil the eligibility criteria. However, they may not want to share their knowledge because they fear the social and political implications, have their own agenda, or for other reasons. The process and the result of targeting – if not well designed and transparent – may also raise suspicions and bad feelings in the community. This is aggravated by the fact that some community leaders seem to hold the view that all households in the village should be equally assisted because they are all poor and tsunami-affected.

A targeting process that takes these factors into account should be based on the following principles:

- There has to be an agency that takes full responsibility for managing the targeting process and is accountable for the results. In the case of this project, responsibility has to be shouldered directly by Save the Children.
- The targeting process has to involve the community to the maximum possible extent. In order to involve them, a committee has to be formed in each village. In large villages sub-committees have to be formed in order to ensure that each committee does not cover more than a maximum of 400 households. This will ensure that all committee members know all households in the area that they cover.
- The committee members have to be persons that are honest and are trusted by the community. To identify and motivate these persons to form a committee may be the most difficult task faced by Save the Children staff.
- The process in which the committees select potential beneficiaries has to be well designed, documented (guidelines and forms to be used) and thoroughly tested. Once the process is established, committee members will have to be trained in how to use the guidelines and forms.
- The process has to be transparent for the whole community from the outset. To facilitate this, a community meeting has to be held at the beginning of the targeting process at which the community is informed about the scheme. Later there has to be a second meeting at which the committee explains which households will be proposed for the scheme and the community is invited to comment and suggest improvements.
- After a consensus on who should be included in the scheme has been achieved at community level, the selected households have to be visited by an external team (staff from Save the Children and from the Department of Social Welfare) to cross-check if the households proposed by the committee fulfil the criteria.
- The final decision on approval or rejection should to be made by a district-level committee chaired by Save the Children, and should be based on all information gathered by the different parties involved in the process.

Designing and testing an effective targeting process may take three to six months. After that the rolling out of the scheme to all tsunami-affected villages may take another nine to 15 months, depending on how many staff Save the Children and the Department of Social Welfare can allocate to this task.

4.1.3. Amount of monthly transfers

As seen in Table 3, the gap between average target group incomes and the poverty line of Rs1,650 per person per month varies considerably from household to household. For practical reasons it is not possible to tailor the volume of transfers to the individual needs of each beneficiary household. A transfer of Rs800 per person per month would mean most target group households reach the poverty line or slightly exceed it. For those remaining below the poverty line, the transfer can still be considered as a significant contribution to their livelihood. It rises them from extreme poverty to moderate poverty.

Taking into account that there are certain economics of scale, the monthly transfers should vary with the household size, as follows:

Single-person households	Rs1,000	($10)
Two-person households	Rs1,800	($18)
Three-person households	Rs2,500	($25)
Four-person households	Rs3,000	($30)
Five-person households	Rs3,500	($35)
Six and more person households	Rs4,000	($40)

4.1.4. Financing and delivery mechanism

The monthly transfers will be generated from a one-off capital investment that is made for each beneficiary household. The equation used to calculate the amount of capital required is:

$$\frac{\text{monthly transfer required x 12 x 100}}{\text{interest rate}}$$

Assuming an interest rate of ten per cent:

- The capital required to generate an interest of Rs1,000 per month to finance the transfers for a single-person household is Rs120,000 ($1,200).
- The capital required for transferring monthly Rs4,000 to a six-person household is Rs480,000 (S$4,800).
- Assuming that, on the average, a capital of Rs300,000 per household is required, the total capital costs for 2,700 households are Rs810 million ($8m).

Once the capital has been deposited in the name of the recipient, the interest will automatically flow, for an infinite number of years, to the personal bank account of the head of the beneficiary household. The household head will become the owner of the capital. He/she will be free to draw the interest accrued from this account at his/her convenience, but should not be able to withdraw the capital during the first ten years. In the event of the death of a head of household, his/her contract with the bank has to include a paragraph stating who will inherit the capital.

All tsunami-affected households have bank accounts because the government transfers are delivered through bank accounts. Using these accounts has been rated as convenient by most households interviewed.

4.1.5. Expected use of the transfers by beneficiary households

The proposed transfer of Rs800 per person per month meets around half of a household's food needs, meaning households must still find some other income (cash or in-kind). Income from different sources is not allocated separately by households, but it is still possible to estimate the impact of an additional income source.

Table 4: Average expenditure and consumption of extremely poor and labour-scarce households, in Faisal Nagar and Gopalaporum, Trincomalee District, September to October 2005

Household average size	3.3
	Rs per household per month
Staples consumed from WFP in-kind transfer	**550**
Additional staple food (rice, flour, pulses, oil, vegetables)	252
Milk	110
Meat	133
Fish	250
Additional vegetables, condiments	405
Sugar	53
Tea	14
Other	181
Total food	**1,398**
Soap	114
Fuel	190
Clothes (averaged over one year)	150
Total non-food	**685**
Transport	78
Medical	485
Education	126
Total services	**689**
Other	**110**
Total expenditure	**2,877**
Total consumption (including food aid)	**3,427**

Note: Samurdhi welfare stamps can be spent on different items according to the choice of the recipient. They are therefore treated as equivalent to cash expenditure. Food aid given in kind is considered as consumption, but not expenditure.

Although most households were receiving food aid, food was still the largest item of expenditure (see Table 4). Non-staple food (any food above the bare minimum energy intake) was restricted, despite the fact that they were receiving most of their basic needs (rice, flour, pulses, oil) from WFP.

If food aid were to stop, food expenditure would become far more critical – non-staple food consumption would have to fall. Staple foods would be the first thing that any household would have to buy, even if it did not have enough from other sources to meet all basic needs. The WFP ration, if purchased, would cost a household around Rs500-600 per month per person. Including a staple vegetable component (ie, only the cheapest vegetables, excluding spices) would bring this to Rs600–700. One could assume that households would first try to cover most of this from other income or from social support.

Any extra money from a transfer such as that proposed here, would first go to complete this basic ration, and then be used for more vegetables, small quantities of high-protein food (meat and fish) and foods which people locally consider 'essential' – spices, hot pepper (chilli), coconuts. Families with children also place a high value on milk, if they can afford it. The rest of the money would be spent on health, education and household items – restricted almost entirely to soap, fuel (firewood) for cooking, and a little (around Rs25 per month) for lighting, especially where children need to study.

4.1.6. Expected impact of transfers at household level

The increase in household income from the monthly transfer may be partly offset by the decrease in support that the beneficiary households currently receive from family members or from the community (eg, the mosque). However, only half of the extremely poor and labour-scarce households received support from family members or the community anyway (see Appendix 10). Further, it is not certain if and to what extent the support will decrease once the household receives transfers. There is also nothing wrong in relieving other families, who may themselves be tsunami- and/or conflict-affected, or the community at large from some of their social obligations. In any case, a possible reduction of private transfers from family or community will only offset a small part of the monthly transfers.

By using the transfers as described above, households will be more food secure. Household members will have better access to sufficient and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Sufficient and nutritious food, in combination with being able to access health services (meeting the cost of transport, consultations and drugs) will have a positive impact on the health of household members. In addition, household members are likely to be able to meet basic needs with regard to clothing, shelter and education, and to pay off debts over a period of time.

The fact that households can rely on a regular income for a long period of time gives them the possibility to plan and actively shape their futures. They will be able to enter credit markets using their regular income as collateral. They can choose to invest in the education of their children, and/or in their housing conditions, and/or in small income generating activities. Their circumstances will change, from a situation where they are caught in a downward spiral of poverty and destitution to a situation where they are able to choose how to shape their future.

This will enable them to refrain from begging, from becoming dependent on money lenders, and from destructive coping strategies such as child labour. The combined impact of healthy and educated children reaching adulthood (human capital) and small investments in assets (eg, small animals) will help most beneficiary households to move out of absolute poverty. It will also enable them to maintain or regain self-esteem, dignity and the status of respected members of their communities.

4.1.7. Expected impact on the local economy and community

In the affected areas, markets for food, for other basic commodities like clothing and kitchen utensils, and for services like transport have suffered due to the sharp decrease in purchasing power caused by tsunami-induced unemployment and underemployment. They may also have suffered from in-kind distribution of food and non-food items by relief programmes.

At the same time, markets have benefited from the purchasing power provided by the substantial government cash transfers to affected households. Because the hinterland has not been affected and market integration is high, consumers do not suffer from shortages or tsunami-related inflation of prices for basic consumption items.

Once the GoSL transfers are discontinued, the purchasing power of affected households (in most coastal villages this means nearly all households) will decline drastically. That means there will not only be a shock at the household level but also at the local economy level. Cash transfers to ten per cent of the affected households will reduce the shock, not only for the beneficiary households but also – alas in a small way – for the local economy as a whole. In other words, the local economy will benefit from the purchasing power injected by the proposed project.

With regard to the credit market, beneficiary households that are currently indebted will be able to pay off their debts over time and will become credit-worthy because of their regular income.

Other positive impacts for non-beneficiary households will be the reduction of social obligations and the reduction in exposure to begging. The project is likely to reduce the incidence of destitution in a significant and sustainable way. This is probably the most important impact from the perspective of the community.

4.1.8. Expected contribution of project to Save the Children's five dimensions of change

It is expected that this project will generate a number of positive differences in the lives of children living in extremely poor and labour-scare tsunami-affected households. These include:

i) Direct changes in the lives of children, including:

- improvement in children's access to food
- improvement in dietary diversity
- improvement in children's health
- improvement in children's access to education
- children not having to earn an income to supplement household income
- children not being left alone, without caregiver supervision
- children not being driven into recruitment by armed groups
- fewer children being subjected to abuse in the household.

ii) Changes in policies and practices by donors and GoSL

An effective, well implemented project may create positive examples – at local, district and national levels – of how better targeting of those most in need can be managed. Implementing a successful pilot project in selected divisions may kick-start a broader review of welfare assistance for the most vulnerable groups in other divisions and districts.

A successfully implemented and monitored project in Sri Lanka will contribute significantly to donor recognition that cash/capital transfers may be an effective vehicle for providing social safety nets as well as contributing to poverty alleviation. It might also influence the policies and practices of other international and national NGOs, the Red Cross movement and UN agencies.

iii) Changes in participation

It is anticipated that children will participate in the village committees established to identify recipients of capital transfers. Ensuring that children sit on these committees is a step towards recognising the important role they play in communities, as well as recognising children's right to participate in these types of decisions. They should also play a significant role in monitoring the impact of the project.

iv) Changes in communities' capacity and ability to support children's rights
The project makes no obvious contribution to this dimension of change. However, the targeting criteria indirectly promote and support the rights of the child in the community (ie, by targeting households with a high dependency ratio that are unable to meet their basic needs, and/or those households where children contribute to household income through labour).

v) Changes in discrimination against marginalised children
The targeting criteria will ensure that the most economically marginalised children are included in the project. By improving their economic condition, this project should decrease the stigma felt by children from extremely poor households.

4.1.9. Project costs

In addition to the costs for the capital transferred to the 2,700 beneficiary households ($8m) there will be costs for targeting, administration and monitoring. These costs are roughly estimated at $1.5m (15 per cent of total costs). For details see Appendix 12.

4.2. Socio-economic and cultural feasibility of the project

4.2.1. Target group preferences regarding cash/in-kind and delivery mechanisms

With few exceptions, the interviewed households clearly preferred cash transfers to transfers in-kind (see Table 5). Cash gives them options to use the transfers in accordance with their preferences, individual needs and taste. Markets for goods and services are readily available for those with purchasing power. Transfers in-kind cannot be used to meet many of the needs of poor households (like debt repayment, transport, health services).

Table 5: Preference of extremely poor and labour scarce households for cash or in-kind transfers

	Total	Prefer cash	Prefer in-kind (all)	Prefer in-kind (for food only)	No preference
No. of households	21	18	1	3	1
Percentage	100%	86%	5%	14%	5%

All tsunami-affected households have bank accounts at the People's Bank, and all interviewed households indicated that using these accounts did not cause them any problems. They rate them as an appropriate means for delivery of cash transfers.

4.2.2. Retaining control over cash transfers

With two exceptions, all interviewed heads of households had full control over the cash transfers received from government. They had no fear that in future any person or organisation would try to tax transfers or claim any part of the payments due to them. The two exceptions were where widows lived in the house of relatives and were fully supported by them. These relatives considered it fair to be compensated for their support by getting the government transfers.

4.2.3. Compatibility with religious beliefs

About 30 per cent of the tsunami-affected households in Trincomalee are Muslims. Among members of the Muslim faith, money lending and earning interest are not acceptable from a religious point of view. In order to take these beliefs into account, the team received the following advice from Sri Lankan financial experts. The administration of capital transfers should not take the form of payments of interest on capital borrowed from or lent by the concerned Muslim families. As long as the capital is not borrowed from these families or lent by them, the objection on religious grounds would not prevail. The term 'interest' can be substituted by another term; 'benefit' 'profit' or 'dividends'. There is no need to highlight the term interest.

4.2.4. Compatibility with gender and child protection issues

The project concept takes into account that women in rural areas of Trincomalee face cultural and religious restrictions with regard to employment or self-employment outside their homes. These restrictions are faced by all women but are especially severe for Muslim women. The project concept also takes into account that children are at risk of being abused, if single parents work away from home and leave their children alone or entrust them to relatives or neighbours (see Box 1).

The dependency ratio formula, which is used as an eligibility criterion for determining if a household is labour-scarce (dependency ratio above four), accommodates these circumstances. It defines women aged 18 to 60 as only partly (50 per cent) fit for income generating work. Using this formula, a household consisting of a single working-age mother with two children has a dependency of six and is therefore eligible (see Section 4.2).

4.2.5. Compatibility with community perceptions

In principle, community leaders feel that all households in their villages should be equally assisted because all are tsunami-affected and all are poor. However, they admit that some households have recovered, others have started to recover, and some may not recover and may need permanent social assistance (see Section 2.2). If such assistance is strictly limited to households that are extremely poor because they have lost their breadwinners, it would be welcomed, especially if the community has a say in the targeting. For these reasons it will be important to involve the community from the beginning and to make the scheme – especially the targeting – as transparent and participatory as possible.

Concerns about resentment and difficulties among untargeted households can at least partly be offset by effective co-ordination, both with other Save the Children livelihood programmes and with those of the 131other agencies in the area. If they are seen to be targeting other groups, then it is much easier to justify restricting the focus of the scheme to the poorest and labour-scarce households.

4.2.6. Compatibility with markets for goods, services and credit

The moderate increase of purchasing power among ten per cent of the tsunami-affected households will not cause any inflation in prices for goods and services. It will only partly offset the decrease in purchasing power experienced by all the households that received GoSL cash transfers. With regard to credit markets, those beneficiary households that are indebted will be able to repay their debts over time. All beneficiary households will become credit-worthy. In summary: the project will in no way disturb markets, but will on the contrary have a stabilising effect.

4.2.7. Cost-effectiveness compared to in-kind transfer projects

Some livelihood recovery projects implemented in Trincomalee have administrative costs totalling 38 per cent of total project costs. This means that only 62 per cent of project funds reach the beneficiaries. The share of administrative and logistical costs for the capital transfer project is estimated at approximately 15 per cent of total costs (see Appendix 12), thus 85 per cent of the total project funds will reach the beneficiaries.

4.2.8. Sustainability

Once the capital has been deposited in the name of the beneficiary at a trustworthy financial institution, the income generated by the capital will flow 'forever' to the beneficiary's account. Unlike providing assets or capital for income generating activities like a fishing boat (which can sink) or animals (that can die) or working capital (that can be wasted), the risk that the invested capital and the resulting income will be lost is relatively low. However, due to inflation the real value of the monthly transfer income will decrease over time. Assuming an average inflation of ten per cent, the real value of the capital income will be only 50 per cent of the initial value after eight years.

4.3. Institutional feasibility

Sri Lanka's banking sector is well developed and has functioned reliably during the last 30 years, even in times of war. The conflicting parties have not intervened in bank transactions. Private and government owned banks operate both in government controlled and in LTTE controlled areas.

The government cash transfers have been delivered through the government owned People's Bank to all tsunami-affected households in both GoSL and LTTE controlled areas. Households interviewed by the survey team stated that they had no problems accessing the transfers. However, for households in remote LTTE controlled areas it can take up to a day for a return trip to the nearest bank. For these households it would be more convenient to channel transfers through post offices.

In order to explore different options (eg, long-term bank deposits, government bonds, foreign currency accounts) negotiations with a number of banks are underway. The aim is to invest the capital in such a way that:

- the real interest rate (nominal interest rate minus inflation) is positive
- the interest rate is fixed for a long period (minimum ten years)
- risks are low
- no taxes or other costs apply
- beneficiaries (including those living in LTTE controlled areas) should be able to access the interest at a bank branch or post office not very far from their homes
- beneficiaries should not be able to withdraw the capital for the first ten years
- the contracts between the bank and each beneficiary have to state who will inherit the benefits in the event of the death of a head of household.

Initial negotiations with three banks have confirmed that a financial arrangement meeting these criteria is possible. A detailed analysis of the financial sector in Sri Lanka given in a recent ODI report (Aheeyar, 2006) concludes: "Use of formal banking systems is the cheapest and quickest method of cash transfer, though agencies seldom used this method for cash transfers."

4.4. Political feasibility

The Government Agent of Trincomalee District, Mr K. G. Leelananda, who is the highest ranking government representative at district level, has been consulted by the survey team. He welcomes the project without any reservations and pledged his full support.

The Chief Secretary North-East Provincial Council, Mr Rangaraja, supports the project in principle, but raised equity concerns. He emphasised that due to many years of war and multiple deportations, many people in areas not affected by the tsunami are in similar distress as the tsunami-affected population. He also emphasised that – if the project succeeds in Trincomalee – there should be donor commitment to extend it to other districts.

On a national level, the project was first discussed in detail with the Director Livelihood of TAFREN, Mr Indra Kaushal Rajapakse, and the TAFREN National Programme Advisor for the IRP Livelihood Programme, Mr S. Rahubadda. Both support the project concept. After that, the official government approval for the project was given as a result of a meeting with the following officials from the Ministry of Finance: The Deputy Secretary to the Treasury, Mr R. A. Jayatissa, the Director General of External Resources, Ms Sujatha Cooray, the Director General of the Department of National Planning, Mr Abeygunawardena. The approval was confirmed by a letter to the Director of Save the Children in Sri Lanka.

In summary, government representatives at all levels agree that extremely poor and labour-scarce households are in need of assistance. They also agree that the assistance provided by a capital-based income generating scheme is an appropriate response to that need. They especially welcome the fact that the interest generated by the invested capital will, for a long period of time, provide a secure source of income for the beneficiary households.

4.5. Risks and risk mitigation strategies

4.5.1. Inclusion and exclusion errors

As the benefits provided to the target group are attractive, the project will face attempts to include households that do not meet the eligibility criteria. At the same time there is the danger of deserving households being excluded because of ethnic, religious, caste or political reasons, or just because extremely poor households keep a low profile and are easily overlooked.

To mitigate this risk, a transparent and rigorous targeting mechanism has to be designed and thoroughly tested until its effectiveness is ensured (see Section 4.1). Community members as well as social protection agencies have to be involved in the targeting. However, Save the Children will have to maintain full responsibility and accountability for the results. The head of the project will have to able to resolve conflicts and to resist political pressure. If these precautions are taken, effective targeting is feasible.

4.5.2. Leakages, diversion, taxation of funds or other interference

Most heads of beneficiary households will be female, old, disabled or children. In theory there is the danger that relatives, neighbours, village leaders, or officials from organisations like Save the Children, partner organisations, the implementing bank, government departments or LTTE may try to exploit the weakness of the beneficiaries in order to siphon off some of the benefits of the scheme.

According to opinions expressed in interviews at the village and district level, this danger is low. There have been no problems with fraud or any kind of taxation in relation to the tsunami-related cash transfers. While villagers said that they experienced some problems related to the in-kind food transfers (delays, low weight, low quality), there were no problems related to the cash transfers.

However, the positive experience with cash relief might be partly due to the fact that cash transfers have been introduced only recently and local elites have not yet had time to find ways of siphoning off a share. To reduce this danger the scheme has to be as transparent as possible, has to win over trustworthy local leaders to protect the beneficiaries from any interference, has to establish a complaints mechanism, and has to monitor these types of risks in order to take corrective action if required.

4.5.3. Inflation

During 1999 to 2005 the inflation rates (consumer price index) fluctuated between 1.2 and 14.2 per cent. The average was 8.2 per cent. The project assumes that in the next ten years the average rate will remain under ten per cent. If this assumption fails, the value of the transfer in real terms will fall faster than predicted. Hyperinflation would erode the value of the transfers in a short time. There is no reliable way to predict if inflation will increase or decrease. Resource persons from the banking sector felt that a reduction of interest and inflation rates is more probable than an increase. However, the risk remains.

Table 6: Inflation rates (based on Colombo Consumer Price Index, except where indicated)

	1999	2000	2001	2002	2003	2004	2005	2006**	2007**
Inflation rate in %	5.9*	1.2	14.2	9.6	6.3	7.9	12.0	9.0	7.5

* Consumer Price Index ** Predicted

Source: Asian Development Bank Outlook 2005. See at: www.adb.org/Documents/Books/ADO/2004/sri.asp

4.5.4. Equity concerns

Many interviewed stakeholders pointed out that households in Trincomalee District have not only be hit by the tsunami but equally, or more so, by the 20 years of armed conflict. Concentrating all benefits on the tsunami-affected areas, while equally suffering households in neighbouring villages are bypassed, is considered unjust. In addition, the Chief Secretary of the North East Provincial Council and stakeholders at the national level were concerned that the project only covers one district.

The project concept accommodates equity concerns on a local level by integrating all extremely poor and labour-scarce households in those 61 GN Divisions (out of a total of 230 GN Divisions in Trincomalee District) that have been declared as tsunami-affected. Within this area, all households that meet the targeting criteria will be included, irrespective of whether their extreme poverty is caused by the tsunami.

To include all GN Divisions of Trincomalee District would increase the estimated number of beneficiary households and the project costs by a factor of three. Whether this is feasible cannot be assessed within the scope of the current study, which can also not assess if the project can be extended to other districts.

4.6. Monitoring cost-effectiveness, utilisation, impact and risks of the project

Save the Children will set up a monitoring and evaluation system, with special emphasis on the impact on children. This will monitor:

- project outputs (number of households covered, amount of capital invested, monthly capital income transferred to beneficiary households)
- cost-effectiveness (share of administrative and logistical costs as a percentage of total costs)
- vertical and horizontal effectiveness of targeting (inclusion and exclusion errors)
- ease of access to, and control of, the monthly cash income by beneficiaries (are they served adequately and with dignity by the financial institutions, are there any interferences?)
- utilisation of the income by beneficiary households (share of expenditure for food and non-food items, investments, savings, debt repayment)
- intra-household distribution of benefits (to what extent do children, young people, the elderly, women and the disabled benefit?)
- impact on nutritional status, health, education, child labour and other forms of child exploitation, and on the self-esteem and social status of the members of beneficiary households
- impact on the community at large (inflation, multiplier effect, perception by non-beneficiaries on the positive and negative impact of the scheme).

The monitoring will be done by reviewing project documents, quarterly surveys of a sample of ten per cent of the beneficiary households, and focus group discussions. The results will be assessed and documented in annual monitoring and evaluation reports.

Impact assessments may show that the project is providing an adequate safety net for households with no members able to work and earn sufficient income to meet the household's basic needs. If this is the case, attempts should be made to roll out the scheme to other divisions and districts in Sri Lanka. A programme of using the monitoring and evaluation results for advocating with donors, the GoSL and other agencies should then be considered.

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Appendix 1: Terms of reference[1]

Project:	Capital Transfers in the Tsunami-affected Region (D0215)
Project Manager:	Paul Harvey, Research Fellow
Consultant:	Bernd Schubert, Lead Consultant for the Sri Lanka Study
Period:	26 October 2005 to 15 January 2006
Chargeable time:	Up to 40 days

Introduction

ODI/HPG has been contracted by Save the Children to conduct in-depth feasibility studies in Sri Lanka and India which will research and set out the potential benefits and risks associated with implementing significant capital-transfers direct to beneficiaries as a core component of rehabilitation and recovery interventions, as well as recommendations and timetables for actions, if appropriate.

The HPG team

The study will be led by Paul Harvey, an HPG Research Fellow. Support will be provided by Kevin Savage an HPG Research Officer. Two lead consultants will be hired for Sri Lanka and India. For India, the study will be led by Priya Deshingkar, an ODI Research Fellow, a social scientist with strong experience in action research on livelihoods. Sonya LeJeune will be working with Priya in India in the capacity of a household economy consultant. In Sri Lanka, the study will be led by Bernd Schubert, a consultant with extensive experience in the fields of food security and social protection. He has recently been engaged with a Department for International Development/Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) cash assistance programme in Zambia. Dr Schubert also has extensive experience in workshop moderation and project management training which will be extremely useful in the development of action plans. Simon Levine will work with Dr Schubert in Sri Lanka as a consultant on household economy assessment.

ODI would also aim to work with local research and consultancy capacity in India and Sri Lanka. Priya Deshingkar will be well placed to identify possible Indian partners as she is based in India. ODI is already working with local consultants in Sri Lanka as part of the Tsunami Cash Learning Project and for a study on the role of remittances in crises.

Research approach

The feasibility studies will need to address whether cash transfer programmes would be appropriate, cost effective, politically and administratively feasible and have positive impacts on people's livelihoods. If cash transfers are seen as appropriate, action plans providing technical advice on the key programming decisions and challenges will also be developed.

Political feasibility: Are large-scale cash transfer programmes politically feasible? A first step is to assess whether cash transfer programmes are possible within the current political framework for tsunami reconstruction in both countries. How would they fit into current government reconstruction policies and would permission to implement such projects be possible? This would involve discussions, in close co-operation with Save the Children management, with government officials at national, regional and local levels.

[1] This report is part of a two-country feasibility study on the use of cash transfers for rehabilitation after the tsunami. While the terms of reference followed in both countries (India and Sri Lanka) were the same, separate reports were written for each country.

Co-ordination: How would cash transfer projects fit into the wider reconstruction response and the roles and responsibilities of other aid actors? It would also be important for cash transfer programmes to be accepted within the various levels of aid co-ordination bodies. This would involve discussions within the various sectoral co-ordination mechanisms for livelihoods, food aid and shelter, for instance, and interviews with key aid actors such as UN agencies, multilateral banks, international NGOs, the Red Cross movement and government officials about how cash transfer programmes would fit within the wider assistance environment and reconstruction policies.

A series of other key questions will be addressed using the assessment checklist developed in the cash and vouchers discussion paper as a starting point.

Issue	Key questions	Methods
Needs and scale of cash transfer	• What are people likely to spend cash on? • What impact would different levels of transfer have on various livelihood groups?	• participatory approaches • interviews, surveys, household economy modelling
Markets	• How well and competitively are markets functioning? • For the key items that people need, are they available in sufficient quantities and at reasonable prices? • How quickly will local traders be able to respond to additional demand? • What are the risks that cash will cause inflation for key products? • How do debt and credit markets function and what is the likely impact of a cash injection? • What are the wider effects of a cash project likely to be on the local economy?	• interviews and focus group discussions with traders • price monitoring in key markets • interviews and focus group discussions with money lenders, debtors and creditors • assess the volume of cash being provided by the project compared to other inflows such as from remittances • ensure that remote areas are covered in analysing how markets work • household economy information.
Security and delivery mechanisms	• What are the options for delivering cash to people? • Are banking systems or informal financial transfer mechanisms functioning? • What are the risks of cash benefits being taxed or seized by elites or warring parties?	• mapping of financial transfer mechanisms • interviews with banks, post offices, remittance companies • interview with potential beneficiaries about local perceptions of security and ways of transporting, storing and spending money safely. • analysis of security analysts about risks of moving or distributing cash. • political economy analysis of war economies.
Gender Issues	• How will cash be used within the household (do men and women have different priorities? • Should cash be distributed specifically to women?)	• separate interviews with men and women.

Table continued overleaf

Continued

Cost effectiveness	• What are the likely costs of the cash programme?	• strong analysis of the full costs of the cash programme, including full staff and administration costs and how these compare to good practice benchmarks and similar programmes.
Corruption	• What are the risks of diversion of cash by local elites and project staff? • What accountability safeguards are available to minimise these risks?	• assessment of existing levels of corruption and diversion • development of plans and mechanisms to minimise the risks of corruption.
Co-ordination	• What other forms of assistance are being provided or planned? • Will cash programmes complement or conflict with these?	• mapping of other responses through co-ordination mechanisms.

Other key issues

There are also a series of operational questions that will have to be addressed in developing action plans:

- what the level of cash transfer should be
- what the targeting criteria should be
- whether there should be a one-off or series of payments
- what the delivery mechanisms should be
- what types of partnerships with government and local civil society are appropriate
- how cash transfers are likely to affect children within households.

Perhaps the most difficult challenge in assessing the appropriateness of cash-based responses will be the question of how they could be targeted. This will involve a review of current targeting criteria and methodologies being used in relief and reconstruction assistance, with a particular focus on current cash-based responses and the effectiveness of existing targeting. Interviews will also be held with potential beneficiaries and key informants, to inform an analysis of the feasibility of targeting relatively large cash amounts to the poor households.

Decisions about the appropriate level of any cash transfer, and whether it should be one-off or a series of payments, will be informed largely by the assessment analysis outlined above and will depend on an understanding of livelihoods and markets, but also issues around risks of insecurity, corruption and diversion.

For Save the Children, the likely impact of cash transfers on children are naturally a particular concern. Partly this will be addressed through analysis of what cash is likely to be spent on (for instance, whether or not it will be used for, or free up income for, school fees or other education expenses). Gender analysis will also help to inform questions around decision-making power within the household. With CfW there are particular concerns about possible negative impacts of the work requirement on child labour, but this does not apply for grants. If appropriate, interviews or focus group discussions may be held specifically with children to explore their views. Analysis of the impact of cash transfers on child rights and child protection issues will be conducted. This would include both the potentially positive, for instance greater access to education, and the potentially negative, for instance possible increased vulnerability to conflict or diversion because of the receipt of large cash transfers in poor households.

The action plans will also examine the question of partnerships and capacities of both Save the Children and possible implementing partners. This will involve assessing the capacities, skills and interests of potential partners, whether these are national NGOs, local community-based organisations or government bodies.

Methodologies

These issues will be explored through a mixture of research techniques. Extensive interviewing, focus group discussions and possibly quantitative surveys will need to be carried out with potential beneficiaries, key informants within communities, government officials and aid agency staff.

It should also be possible to draw on a rich range of secondary material, including internal aid agency reports, lessons from ongoing cash-based responses, materials from the Tsunami Cash Learning Project, tools and methodologies from other cash projects, such as the SDC cash workbook and lessons from the Zambia pilot. Existing livelihoods analyses, baseline surveys and monitoring data around issues such as market prices will be reviewed. Where necessary, further livelihoods and household economy analysis will be conducted to complement existing sources.

All of this analysis will need to be conducted in close co-operation and with the active involvement of Save the Children staff for it to effectively inform future responses. The more that Save the Children staff can be involved and preferably seconded to the study, the better in terms of generating buy-in for the findings of the studies and in enabling realistic judgements to be made about issues such as political feasibility and organisational capacity. This will be even more true for the action planning stage of the studies, where to be useful Save the Children staff will need to be actively involved through workshops, and project management and planning tools.

Timetable

It is anticipated that both studies would commence simultaneously in mid-October and be completed by the end of 2005.

Activity	Dates
Desk gathering and review of as much secondary information as possible	1–15 October
Methodology development (semi-structured interview guides, survey tools)	1–15 October
Interviews with Save the Children UK staff based in London	1–15 October
Setting up of schedule and logistics for field research	1–15 October
Field research in India and Sri Lanka	15 October – 15 November
Action planning workshops and project planning in India and Sri Lanka	15–31 November
Writing of feasibility studies and action plans	1–15 December

Expected key outputs

- studies for Sri Lanka and India setting out whether or not large-scale cash transfer programmes are feasible and whether cash transfers could be delivered safely, efficiently, cost effectively and with a positive impact on poor peoples livelihoods

- action plans for a) India and b) Sri Lanka, including detailed identification of potential beneficiaries, recommended financial level of capital transfer, timescale, targeting, delivery and monitoring channels, etc.

This assumes the two lead consultants working for 40 days and the two household economy experts working for 25 days in each country. Each lead consultant would also work with a local researcher for the full period of the project. Paul Harvey and Kevin Savage would assist during the preparation for the project and in the drafting the feasibility studies and action plans.

Appendix 2: Organisations and persons contacted

In Colombo

Ministry of Finance	Mr R A Jayatissa (Deputy Secretary to the Treasury) M. B Abeygunawardena (Director General Department of National Planning) Ms S Cooray (Director General of External Resources)
Ministry of Samurdhi and Poverty Alleviation	Mr H Ranathunga (Additional Secretary) Mr W A S Mahawewa (Director Planning)
TAFREN	Mr Indhra K. Rajapaksa (Director Livelihood) Mr Sam Rahubadda (National Programme Advisor)
Bank of Ceylon	Mr Douglas Weerasinghe (Deputy General Manager) Mr Sarath Jayasuriya (Senior Dealer)
Peoples Bank	Mr P V Pathirana (Deputy General Manager)
National Savings Bank	Mr Sunil Perera (Deputy General Manager) Mr S H Piyasiri (Deputy General Manager)
World Food Programme	Mr Jonathan Campbell (Programme Co-ordinator) Mr Leavan (Consultant)
Oxfam	Mr Isidro Navarro (Food Security and Livelihood Advisor) Mr Vichithrani L Gunawardena (Food Security and Livelihoods Co-ordinator)
International Federation of Red Cross and Red Crescent Societies	Mr. Ben Mountfield (Country Co-ordinator British Red Cross Programme)
International Labour Organization	Mr D Welinga
ODI Cash Learning Project	Ms Lesley Adams (Co-ordinator) Mr M M M Aheeyar (Research Associate)
Helvetas	Mr Josef Jaeckle (Project Manager) Mr Egon Ravch (Consultant)

In Trincomalee

North East Provincial Council
Mr Rangarajah (Chief Secretary)

District Administration Mr K G Leelananda (Government Agent)

Department of Social Welfare
Mrs. Ranjani

Centre for Information Resources Management
Ms Rohini Singarayer (Director)

UNDP Mr Kawa Hassan (Field Co-ordinator)

CARE Sri Lanka Mr Dayananda Silva (Director Humanitarian Assistance P-TRD Programme)

Oxfam GB Mr R Sivasuthan (Programme Co-ordinator)
Ms Sepali (Livelihood Advisor)

Save the Children partner organisations
Kinniya Vision
Training of Youth for Development (TYDUP)
Social Development Foundation (SDF)
Trincomalee District Youth Development (AHAM)

Appendix 3: Methodology, check lists and questionnaire used

The research used a mixture of quantitative data from a household survey and qualitative information, gathered from group discussions and meetings with key informants (see list of persons met, Appendix 2). Survey data was used to discover the current economic situation of households (income and expenditure, assets, debt, recovery, household composition, etc). Group discussions were used to understand community perceptions of poverty, the different recovery possibilities for different kinds of households and issues associated with existing cash transfers. The initial meetings in each village with 'community leaders' (mostly men) concentrated on examining how different categories of households had recovered from the tsunami, and what the likely scenario was for future recovery of these households. (These meetings were used as an entry point to gain access to households which were 'extremely poor and labour-scarce, see below.) Separate discussions were held with women (one women's group in each village) and with children (under 18) to hear their perceptions of poverty and how cash transfers have been used. (Checklists for the different group discussions are given below.)

Time limitations (see below) meant that the number of villages which could be visited would be low. As a result, it was not possible to consider random sampling since it was more important to cover a range of different situations. The research was only concerned with the immediate coastal area, and livelihood options were largely similar along its whole length. The two most important variables which were considered for purposive sampling of the villages were therefore the ethnic composition of the village, and whether the village was in a government controlled ('cleared') or LTTE controlled ('uncleared') area. Both factors were considered important for economic reasons. There were reasons to suppose that the culture and religion of the Tamil and Muslim communities might affect their livelihood options and choices (eg, relating to women's economic life, the role of trade). The economic context in uncleared areas in Trincomalee District is quite different from the rest of the district, including differences with regard to markets, differences in the financial services available, and the overall impact of the war on livelihood options. As a result, it was initially decided to survey in three villages: one Tamil and one Muslim village in government areas and one village (Tamil) in LTTE areas. One village in each of three divisions was therefore selected by prioritising villages where a local NGO partner of Save the Children could provide a good entry point and where the local NGO considered that the village was 'not particularly different' from other villages along the coast. Factors of accessibility (which included problems of floods) were also considered.

The original plan had to be modified because of more serious limitations of time and security. The research unfortunately took place during the Sri Lankan presidential elections: fears about possible unrest following the election limited, more than expected, the number of days when it was possible to go to the field. Floods from heavy rain, which washed away bridges, also made some meetings impossible. Additionally, three further days were lost due to the LTTE Martyr's Day holiday week, which prevented field work in Tamil areas. Advice was then given that household-level surveys in LTTE controlled areas should be avoided in favour of open meetings. As a result of all these problems, household surveys were only conducted in two villages, one predominantly Muslim (Faisal Nagar, Kinniya Division) and one predominantly Tamil (Gopalaporum, Kuchchavelli Division).

Two villages were then chosen in LTTE areas for focus group discussions, since household surveys were not possible. Nalur and Sampur villages in Mutthur Division were chosen, to represent two different broad groups. Nalur is a more 'traditional' village, with less cultural and economic integration into the country as a whole, whilst Sampur represents the more modernised villages.

Household sampling was conducted in the following way. We were interested in interviewing only households which would continue to have difficulties in supporting themselves even with continued assistance for recovery in the village. Meetings were arranged by local NGO partners with 'community leaders': this term was only loosely defined, and it was stressed that it was important to have people who knew the village well rather than those who had some kind of official status. Discussions were held with these community leaders to analyse together which kinds of households could recover and which would continue to have difficulties. Broad criteria were agreed: those households which lacked labour power would have difficulties – as leaders pointed out, these would be the same households who had difficulties in supporting themselves before the tsunami. These would include the elderly, disabled and widows, where there was no other adult in the home.

We then requested them to give us lists of such households from which we picked a number to interview – in a broadly random way, but, for example, where a person could not be found, we moved on to another household. It was stressed at all times that we were not asking the names of any households, as we were not looking for particular people to whom to gives assistance. Forty-nine people were interviewed, 23 in Faisal Nagar and 26 in Gopalaporum. Interviews covered a detailed list of all the food sources, and income and expenditure patterns of the previous month. Interviewees were probed in particular where expenditure and income did not match. Other questions concerned assets, the assistance they had received since the tsunami and their opinions on the ease of operating bank accounts (where they all received state allowances) and their preferences between aid they had received in-kind or in cash. An analysis of the labour available in each of the 49 households showed that 28 had potential labour, while the remaining 21 were truly labour-scarce (see Section 2.2).

Checklists used for focus group discussions

Issue: How to define a household?

Explain that for designing a scheme it is important to know what is and is not a household. Answers to the following questions will help us to better understand what the community regards as a household:

1. Can a widow, who has no children, have her own household?
2. In which cases is a widow with no children considered to be the head of her own household and can apply for tsunami grants, and in which cases not?
   (Probe how the fact that she lives on the plot or in the house of a relative affects her status as a separate household.)
3. Is a widow, who has children living with her, considered as a separate household, even when she lives on the plot or in the house of a relative? When are she and her children considered as a separate household and when not?

Issue: Community perception regarding cash transfers

1. Is the cash grant of Rs200 per person per week for tsunami-affected households a programme that is appreciated by most community members? If not, why do some members not appreciate it?

2. Is there anything regarding the government cash grant scheme that should be improved? If yes, what?
3. Would it have been better to provide food or assets in kind instead of cash? If yes, why?
4. Did some households misuse the cash? If yes: in which way did they misuse? What percentage did misuse?
5. Are there households that require regular cash grants for a very long time (5–10 years)? If yes: which categories of households? Why do they require it?
6. If question 5 was answered with yes: taking into account that resources are scarce, what percentage of all households should get regular cash grants for a long time?
7. If a scheme would give regular cash grants exclusively to extremely poor households that have no breadwinners, would that be seen as fair or would there be bad feelings in the community?

Issue: Targeting mechanisms
1. Are the Rs200 per week reaching those households most affected by the tsunami?
2. If no: give examples of households that were severely affected, but are not getting transfers. How many cases? What are the reasons?
3. Give examples of households that are receiving assistance but which were not the most affected (no names). How many cases? What are the reasons?
4. What are the advantages and disadvantages of the way/process in which households are selected?
5. What would be the most ideal mechanism/process for targeting the most needy households?

Issue: Risks of cash transfers
Have any of the following risks been observed during the implementation of the government cash transfers (Rs5,000 per household and the weekly Rs200 per head):
1. corruption, diversion and the danger that transfers are taxed or seized by elites or warring parties
2. ability of women to retain control over cash transfers and to influence decisions related to their utilisation
3. additional tension created in sensitive areas and/or threat/risks posed by cash transfers to women-headed households or elderly-headed households
4. misuse of the money by some of the extremely poor households? If so, give examples of misuse, numbers of cases of misuse and reasons for misuse.

Issue: Needs of children living in extremely poor households
1. In what ways were the lives of children better before the tsunami? What do they miss most?
2. In what ways are the lives of children better after the tsunami? What has improved?
3. Which of the programmes implemented after the tsunami were good for children?
4. If a NGO came and asked children, "which additional programmes are required?", what would the children answer?
5. Do all children over six years of age go to school? If not, why not?
6. Do some children miss classes or not come regularly to school? If yes, why?

Issue: Delivery mechanisms for cash transfers
1. What are the options for delivering cash transfers to beneficiary households?
2. What are the advantages and disadvantages of each option?
3. What is the distance from village to location of each option, in kilometres?
4. What are the costs for travel to each option?

Questionnaire: Household economy

Village ------------------------------ Interviewer ------------------------ Date --------------------------

Sex of head of household (HH) Male / Female

Tamil Muslim

Household composition

#	Name (HH head first)	Sex /age	Relationship	Main occupation	Capable of working? (yes/no)	Limitation on ability to work	Did they work before the tsunami?
1		/					
2		/					
3		/					
4		/					
5		/					
6		/					
7		/					
8		/					
9		/					
10		/					

For children of school age: give grade and attendance for school under 'occupation'
G = good, P = poor attendance, D = drop out, not at school

Over 18 only!

	M	F
No. able bodied		

Assets profile

Type	add any comments or notes as useful
House	permanent / displaced temporary / with relative / renting
Fishing	boat / engine / nets / none / other ………………..………
Agricultural land	yes / no ………………………………………………… acres Type of land: paddy / vegetable land
Do they hire labour for agriculture?	yes / no
Livestock (type)	
Other equipment	
Bicycles	yes / no
Motorcycles	yes / no
Shop	yes / no

Food sources in last month

Source	Item	Amount	How often?	Total amount (kgs)	Comments (include pre-tsunami comparison)
WFP					
Samurdhi					
Other					

Purchases (items)	How much?	How often?	Price	Total (Rs)	Pre-tsunami food purchases?
Meat					
Fish					
Milk					
Vegetables, spices, etc					
Bread					
Sugar					
Tea					
Coconut					

Expenditures over last month (September for Muslim village)

Note: only use weekly amounts if it makes it easier, for items purchased on weekly basis.

Type	Amount	Times per week	Total per month	Remarks	Comparison with pre-tsunami	
Food				insert total from above		Rupees
Medical (including transport)						
Education						
Transport						
Soap						
Firewood						
Kerosene						
Clothes						
Loan repayment						
Others (specify)						
Expenses related to children (specify)						

Have you made any expenditure on 'recovery' since tsunami?

(Probe for ANY expenditure not for short-term needs)

Exclude aid, but include things bought with loans

None housing HH items savings (eg, gold) repaying pre-Tsunami loans

For income generation____ (detail)

Current level of debts
Do you have debts? yes/ no

Did they get bigger or smaller during October?
new borrowing / no change / repayment progress

Source	Contracted when?	Outstanding amount as at today	For consumption or investment (C / I)	Notes
Bank				
Money lenders				
Relatives				
Shops/ suppliers				
Friends				
NGO				
Other				

(Cash) income sources over last month

Income source	Who is involved	How often? (per week)	Wage rate (or profit) per day	Total per month	If income source is a grant, write what grant is for, or mark 'U' for unconditional	Comparison with same source for October 2004
CfW?						
Total earned						
Gifts, social support						
Remittances						
Debt						
Government relief (Rs200/wk)						
Other government						
Other relief						
NGO						
Other						
TOTAL						

Do children contribute to generating income? yes / no
If yes, how? ____

Note: outside school hours / instead of school

Summary of *all* assistance received since tsunami

Source	Item/ amount	How often?	How much	When received last?	Comments
Cash					
Food					
In kind					
If receiving Samurdhi give details					

Preference for different kinds of assistance:

Cash

In-kind for food only

In-kind

Why?

If food aid and cash aid were cut, what would you do?

reduce non-essential	reduce food	debt	pawn	new income
increase income from old source	reduce health	reduce education		
children work	sell assets	save	other________________________	

Do you have any bank account? yes / no **Bank:** __________________________________

Do you find it easy to use? easy /difficult

If not – why don't you have an account? ____

Appendix 4: Cash and voucher-based responses in emergencies

Location	Emergency	Agency	Programme	Dates
Afghanistan	Conflict	UNHCR	Repatriation	1990–92
Cambodia	Conflict	UNHCR	Repatriation	1992–93
Bosnia	Conflict	SDC	Repatriation	1996
Montserrat	Volcano	Government	Vouchers then cash grants	1996–97
Guatemala and Nicaragua	Hurricane	IFRC	Cash payments with inputs package	1998
Bangladesh	Floods	Oxfam	Cash grants	1998
Kosovo	Conflict	SDC	Repatriation	1999–2000
Albania	Conflict	SDC	Cash for families hosting refugees	1999
Kosovo	Conflict	SDC	Cash for housing	1999–2000
Macedonia	Conflict	SDC	Cash for families hosting refugees	1999–2001
Serbia	Conflict	SDC	Cash for shelter and for hosting IDPs	1999–2001
Mozambique	Floods	USAID-funded consultancy firm	Cash grants	2000
India (Gujarat)	Earthquake	Government	Cash for shelter	2000–2002
Ingushetia	Conflict	SDC and UNHCR	Cash for families hosting IDPs	2000–2001
Bangladesh	Floods	Oxfam	Cash for work	2001
Uganda (Kitgum)	Conflict	Oxfam	Cash for work	2001
Zambia	Food insecurity	HODI, funded by ActionAid	Cash for work	2002
Mongolia	Dzud (an exceptionally hard winter)	SDC	Cash for herders and vulnerable people	2002–2003
Afghanistan	Conflict	UNHCR	Repatriation	2002–2003
Occupied Palestinian territories	Conflict	ICRC	Vouchers	2002–2003
Russian Republic of Adygea	Flood	SDC	Cash for reconstruction	2003
Somalia (Sool, Sanaag)	Drought	Horn Relief, Norwegian People's Aid	Cash grants	2003–2004
Afghanistan	Conflict and drought	Various agencies	Cash for work	2003–2004
Iran (Bam)	Earthquake	Government and IFRC	Cash grants	2004
Moldova	Drought	SDC	Cash grants	2003–2004
Ethiopia	Drought	Various agencies	Cash grants, cash for work and vouchers	Last few years
Haiti (Cap Haitien)	Conflict	Oxfam	Cash for work	2004
Bangladesh	Floods	Save the Children	Cash as part of shelter programme	2004

From: Paul Harvey (2005) *Cash and Vouchers in Emergencies*, ODI/HPG, London

Appendix 5: Possible advantages and disadvantages of cash-based approaches

Possible advantages of cash
Cost efficient – distributing cash is likely to be cheaper than commodity-based alternatives because transport and logistics costs are lower
Choice – cash allows recipients to decide what they should spend the money on. This enables people to choose what they most need, and allows for this to vary from person to person
Multiplier effects – distributing cash can have knock-on economic benefits for local markets and trade if the money is spent locally, and it may stimulate agricultural production and other areas of livelihoods
Avoids disincentive effects – unlike commodities (food, shelter) cash is unlikely to discourage local trade or production
Fewer costs for recipients – food often costs recipients a significant amount to transport from the distribution site to their home. Cash avoids this
Dignity – cash can be better at maintaining the dignity of recipients. It may, for instance, be possible to avoid long, degrading queues

Possible disadvantages of cash
Inflationary risks – if an injection of cash causes prices for key goods to rise, then recipients will get less for their money and non-recipients will be worse off
Anti-social use – cash can be used to buy anything. Some may be used for anti-social purposes
Security risks – Moving cash around may create particular security risks for staff implementing cash programmes, and for the recipients of them
More difficult to target – because cash is attractive to everybody it may be more difficult to target, as even the wealthy will want to be included
More prone to diversion – cash may be more attractive than alternatives and so particularly prone to being captured by elites, to diversion particularly where corruption is high and to seizure by armed groups in conflicts
Disadvantages women – women may be less able to keep control of cash than alternatives such as food
Less available from donors – donor governments may be more willing to provide commodities than cash
Consumption/nutrition – if a transfer has particular food-consumption or nutrition objectives, then food may be more effective. For instance, food can be fortified to address micronutrient deficiencies

From: Paul Harvey (2005) *Cash and Vouchers in Emergencies*, ODI/HPG, London

Appendix 6: Distribution of Samurdhi recipient households by monthly household income decile, 2002

Household (HH) income decile	Average household Income (Rs)	Average monthly income of Samurdhi (HH)	Percentage of HHs receiving Samurdhi	Samurdhi income as a % of total income
Sri Lanka	12,804	6,816	26.7	7.7
1st decile	2,123	2,103	52.6	20.2
2nd decile	3,971	3,983	45.2	12.4
3rd decile	5,251	5,247	40.7	9.9
4th decile	6,442	6,416	32.2	8.2
5th decile	7,733	7,726	29.4	7.3
6th decile	9,295	9,251	23.0	6.7
7th decile	11,319	11,280	19.6	5.6
8th decile	14,329	14,103	13.4	4.9
9th decile	19,666	19,272	7.9	3.9
10th decile	47,959	54,847	2.4	1.1

Source: Department of Census and Statistics

Appendix 7: Ongoing and planned livelihood recovery programmes of Save the Children, CARE and Christian Aid in Trincomalee District

Type of programme	Number of households targeted			
	Save the Children	CARE	Christian Aid	Total
CfW	193	-	-	**193**
In-kind support		-	-	
Boats and gear	109	58	-	**167**
Canoes and gear	105	30	10	**145**
Fishing gear only	68	-	45	**113**
Sewing machines	40	11	-	**51**
Bicycles and boxes	65	-	-	**65**
Motor bike	4	-	-	**4**
Cement block machine	-	20	-	**20**
Water pumps	100	22	-	**122**
Sprayers	34	22	-	**56**
Agro packages	121	647	200	**968**
Agro wells	79	-	-	**79**
Ponds	9 ponds	-	-	
Irrigation canals	1100m	-	-	
Roads	-	-	-	
Garage and equipments for boat repairing	60	-	-	**60**
Tool kits for various vocations	-	-	85	**85**
Bullock carts	23	-		**23**
Cash grants		-		
Agriculture	341	647		**988**
Poultry	139	-		**139**
Small business	63	133	731	**927**
Livestock	60	-		**60**
Fishing	14	-		**14**
Tailoring	10	-		**10**
Revolving loan	-	-	42	**42**
Vocational training	-	-	180	**180**
Total	**1628**	**943**	**1293**	**4511**

Appendix 8: Costs and monthly net income projected from participation in income generating projects offered by Save the Children in Trincomalee District

Activity	Cost of activity			Numbers of HHs benefiting	Cost per HH	Forecast return per month
	Total cost in Rs	Logistical and admin cost				
		Rs	%			
CfW	1, 081 ,818	248,818	23	135	6,000 in average	6,000
Poultry	5,290,322	2,010,322	38	164	20,000	2,000-3,000
Paddy cultivation	29,853,225	11,344,225	38	666	15,000-50,000	3,000-5,000
Home gardening	1,451,613	551,613	38	36	25,000	2,000-3,000
Goat rearing	3,000,000	1,140,000	38	93	20,000	2,500-3,000
Tools for masonry	1,258,065	478,065	38	39	20,000	7,500-10,000
Tools for carpentry	1,935,484	735,484	38	48	25,000	5,000-7,000
Sewing machine	1,516,129	576,129	38	47	20,000	2,500-3,000
Bullock carts	967,742	367,742	38	12	50,000	8,000-10,000
Fishing canoes	1,854,839	704,839	38	23	50,000	5,000-6,000
Fishing FRP	241,935	91,935	38	1	150,000	10,000-15,000
Small business	6,814,516	2,589,516	38	169	25,000	3,000-4,000
Bakery business	80,645	30,645	38	1	50,000	7,000-8,000
Total	**55,345,333**	**20,869,333**	**38**	**1,434**	**-**	**-**

Note: Current budget analysis of expenditure patterns show that the administration and logistical costs are varying at different levels within the organisation. At the central level the cost is equivalent to 13 per cent of the total programme cost and at the district level the cost is equivalent to ten per cent of the programme cost. Administration and logistical costs incurred by partners are equivalent to 15 per cent of the total project cost.

Appendix 9: *Daily News* article on targeting and co-ordination of tsunami aid

DAILY NEWS FRIDAY DECEMBER 02 2005

Aid scramble wasting tsunami relief, says think-tank

International and local charities have wasted aid money meant for tsunami relief and slowed reconstruction efforts in Sri Lanka, an independent think-tank said Thursday.

The Institute of Policy Studies (IPS) asked the Sri Lankan government to rein in the number of charities, many of which it says are in competition with each other and preoccupied with grabbing media attention.

"Reluctance to co-operate with Government institutions and competitive behaviour towards others continue to hamper coordination and implementation," said IPS economist Paul Steele.

Nearly 300 aid agencies capitalised on a huge international outpouring of sympathy for tsunami survivors and collected millions of dollars to rebuild and restore livelihoods along devastated coastlines.

But an official from the Housing Ministry said some NGOs were less than honest.

"We came across quite a few NGOs that had signed MOUs (memorandum of understanding to build homes) and then used the document to raise funds," said the official, who declined to be named.

IPS's Steele said one way to monitor performance would be to consolidate. "It might be better if some NGOs are amalgamated. There is a whole plethora of costs," he said.

"Administration costs are high. There are salary anomalies within NGOs, poor targeting of recipients and most unfortunately, competition among organisations themselves to get visibility within the community," he said.

The tsunami damage to infrastructure was estimated at one billion dollars, but the replacement cost was put at between 1.5 and 1.6 billion dollars, according to a study released in January.

"Costs are up by around 60 percent since January. For instance, the Government estimated around 400,000 rupees (4,000 dollars) was enough to build a house. Now its over 600,000 rupees (6,000 dollars)," said Sisira Jayasinghe, economist and an author of the IPS post-tsunami recovery study.

Former tsunami reconstruction chief Rohini Nanayakkara warned that Sri Lanka has to compete for aid following natural disasters in other parts of the region.

She said that although the initial pledges were twice the reconstruction cost, the country could end up with funding gaps. "If aid is not closely monitored, donor interest will slow down because there have been other disasters elsewhere that are now drawing their attention," she said. - AFP

Appendix 10: Household structure of extremely poor and labour-scarce households in Faisal Nagar and Gopalaporum

	Gender-adjusted dependency ratio	Household members								Income					Total income			Gap between income (excl. child income) and poverty line
			Adults				Children											
		HH size	Able-bodied male	Non-able-bodied male	Able-bodied female	Non-able-bodied female	14–17	5 –13	0–5	Earned by adult males	Earned by adult females	Earned by children	From family and comm. support, begging	From gov transfers	Per house-hold	Per person	Per person, without children's earnings	
1	No labour	3	0	0	0	1	1	1	0	-	0	0	500	100	600	200	200	1,450
2	No labour	5	0	1	0	1	1	1	1	2,400	0	0	0	0	2,400	480	480	1,170
3	No labour	1	0	0	0	1	0	0	0	-	0	-	280	240	520	520	520	1,130
4	No labour	1	0	0	0	1	0	0	0	-	0	-	500	460	960	960	960	690
5	No labour	3	0	1	0	1	1	0	0	0	500	0	0	360	860	287	287	1,363
6	13	6	0	1	1	0	2	2	0	0	200	11,200	0	0	11,400	1,900	33	1,617
7	13	6	0	1	1	0	1	2	1	0	0	0	0	360	360	60	60	1,590
8	8	4	0	0	1	0	0	3	0	-	900	0	500	570	1,970	493	493	1,158
9	8	4	0	0	1	2	1	0	0	-	-	6,000	720	0	6,720	1,680	180	1,470
10	8	4	0	0	1	0	0	3	0	-	3,000	0	0	0	3,000	750	750	900
11	8	4	0	0	1	0	0	3	0	-	600	0	6,000	0	6,600	1,650	1,650	-
12	7	7	0	0	2	1	1	2	1	-	0	0	0	0	0	0	0	1,650
13	7	7	1	1	0	2	1	2	0	15,000	-	-	0	100	15,100	2,157	2,157	-507

Table continued overleaf

Continued

		Household members								Income					Total income			
			Adults				Children											
	Gender-adjusted dependency ratio	HH size	Able-bodied male	Non-able-bodied male	Able-bodied female	Non-able-bodied female	14–17	5 –13	0–5	Earned by adult males	Earned by adult females	Earned by children	From family and comm. support, begging	From gov transfers	Per house-hold	Per person	Per person, without children's earnings	Gap between income (excl. child income) and poverty line
14	6	3	0	1	1	0	0	0	1	0	0	0	1,500	360	1,860	620	620	1,030
15	6	3	0	1	1	1	0	0	0	0	3,000	-	0	0	3,000	1,000	1,000	650
16	6	3	0	0	1	1	0	1	0	-	0	0	4,250	460	4,710	1,570	1,570	80
17	6	3	0	1	1	1	0	0	0	0	0	0	1,500	120	1,620	540	540	1,110
18	6	3	0	0	1	0	1	1		-	0	3,600	0	0	3,600	1,200	0	1,650
19	6	3	0	0	1	0	0	1	1	-	3,600	0	4,500	0	8,100	2,700	2,700	-1,050
20	5	5	0	0	2	1	1	1	0	0	6,000	0	0	360	6,360	1,272	1,272	378
21	5	7	1	0	1	0	2	3	0	6,900	900	0	4,000	0	11,800	1,686	1,686	-36
total		85	2	8	17	14	13	26	5									
average		4								2,430	984	1,224	1,155	166	4,359	1,035	817	836

Appendix 11: Household structure of extremely poor households with labour in Faisal Nagar and Gopalaporum

	Gender adjusted dependency ratio	Household members								Income					Total income			Gap between income (excl. child income) and poverty line
			Adults				Children											
		Total	Able-bodied male	Non-able-bodied male	Able-bodied female	Non-able-bodied female	14 –17	5 –13	0–5	earned by adult males	earned by adult females	earned by children	From family and comm. support, begging	From gov transfers	Per house-hold	Per person	Per person, without children's earnings	
1	4	2	0	0	1	0	1	0	0		2000	0	1600	0	3600	1800	1800	-150
2	4	8	1	0	2	1	1	2	1	4800	1000	0	0	0	5800	725	725	925
3	4	6	1	0	1	0	0	3	1	7000	0	0	0	140	7140	1190	1190	460
4	4	2	0	0	1	0	0	1	0		4000	0	0	0	4000	2000	2000	-350
5	4	5	1	0	1	0	0	2	1	2000	0	0	0	360	2360	472	472	1178
6	4	2	0	0	1	0	0	0	1	0	0	0	2000	0	2000	1000	1000	650
7	4	2	0	0	1	1	0	0	0		0		0	460	460	230	230	1420
8	4	2	0	0	1	1	0	0	0		0		5500	460	5960	2980	2980	-1330
9	4	2	0	0	1	0	0	1	0		0	0	500	0	500	250	250	1400
10	3	3	0	1	2	0	0	0	0	400	2400		0	0	2800	933	933	717
11	3	4	1	0	1	0	2	0	0	4800	0	0	0	0	4800	1200	1200	450
12	3	3	1	0	0	1	1	0	0	10000	0	0	0	0	10000	3333	3333	-1683
13	3	5	1	0	1	0	0	2	1	8000	0	0	0	0	8000	1600	1600	50
14	3	3	1	1	0	1	0	0	0	1500	0		0	560	2060	687	687	963
15	3	5	1	0	1	0	1	2	0	0	0	0	0	0	0	0	0	1650
16	3	3	0	0	2	1	0	0	0		0		0	0	0	0	0	1650
17	3	4	1	0	1	0	2	0	0	6000	2000	0	0	360	8360	2090	2090	-440
18	3	3	1	1	0	1	0	0	0	4500	0		0	0	4500	1500	1500	150
19	3	5	1	0	1	0	1	2	0	2250	0	0	0	360	2610	522	522	1128
20	3	3	0	0	2	0	1	0	0	0	2000	0	300	0	2300	767	767	883
21	2	4	0	0	4	0	0	0	0		2500		0	360	2860	715	715	935
22	2	8	3	0	2	0	1	2	0	5400	5000	0	0	640	11040	1380	1380	270

Table continued overleaf

Continued

	Gender adjusted dependency ratio	Household members								Income					Total income			Gap between income (excl. child income) and poverty line
			Adults				Children											
		Total	Able-bodied male	Non-able-bodied male	Able-bodied female	Non-able-bodied female	14 –17	5 –13	0–5	earned by adult males	earned by adult females	earned by children	From family and comm. support, begging	From gov transfers	Per house-hold	Per person	Per person, without children's earnings	
23	2	4	2	1	0	1	0	0	0	0	0	0	0	360	360	90	90	1560
24	2	7	1	1	4	0	1	0	0	3500	0	0	0	0	3500	500	500	1150
25	2	2	1	0	0	1	0	0	0	0	0		0	360	360	180	180	1470
26	1	2	1	0	1	0	0	0	0	0	1400		0	360	1760	880	880	770
27	1	2	1	0	1	0	0	0	0	0	0		750	0	750	375	375	1275
Total		101	20	5	33	9	12	17	5									
Average		3.8								2615	826	0	394	177	3625	1015	1015	635

Appendix 12: Logical framework, plan of activities and cost calculation for project

Project: Capital-based Income Generation Scheme for Tsunami-affected Households in Trincomalee District, Sri Lanka

Objectives	Indicators	Means of verification	Assumptions
GOALS: Most of the children living in extremely poor and labour-scarce households in tsunami affected areas in Trincomalee District meet their basic developmental needs.	At least 90% of the 2,700 beneficiary households experience a positive change with regard to meeting children's basic development needs.* At least 50% of children living in beneficiary households meet all basic development needs.	Household survey Focus group discussions	
The overwhelming burden of social obligations faced by tsunami-affected communities is reduced.	Incidence of begging has decreased by at least 50%. Most community members consider that their social obligations with regard to this target group have decreased.	2.1. Focus group discussions	
SPECIFIC OBJECTIVE: Most of the targeted households reach an income that exceeds the national poverty line on a sustainable basis.	Over 10 years, 90% of the beneficiary households achieve a monthly income per person above the national food poverty line; Over 10 years, 60% of the beneficiary households achieve a monthly income per person above the national poverty line (Rs 1,650 in 2005)	1.1 Baseline survey	Caregivers will use a substantial part of the household income to meet children's needs. Targeted households will not be excluded from business promotion programmes

*For the purposes of this project, a child's basic development needs will be met when:

- each child intakes their minimum daily calorific, protein, fat and micronutrient requirements; *and*
- each child regularly accesses an educational facility which provides for his/her level of education; *and*
- each child accesses adequate healthcare when required.

Table continued overleaf

Continued

Objectives	Indicators	Means of verification	Assumptions
EXPECTED OUTPUTS: 1. Households meeting eligibility criteria have been effectively targeted	Inclusion error under 10% Exclusion error under 5% 1.3 At least 80% of non-beneficiary households consider targeting as transparent and fair 1.4 Targeting process completed within 12 months after inception of the project	Household survey Household survey Household survey Focus group discussions	GoSL discontinues relief transfers of Rs200 week per person Save the Children has the funds required to meet the scale of project (2700 HH) Save the Children allocates the funds required for this project, including funds for the monitoring period after December 2007 Average Inflation rate does not exceed 15% Targeted households generate non capital-based income equal to the difference between national poverty line and value of transfer The number of targeted households does not exceed 10% of total population Household surveys can also be carried out in LTTE controlled areas

Table continued overleaf

Continued

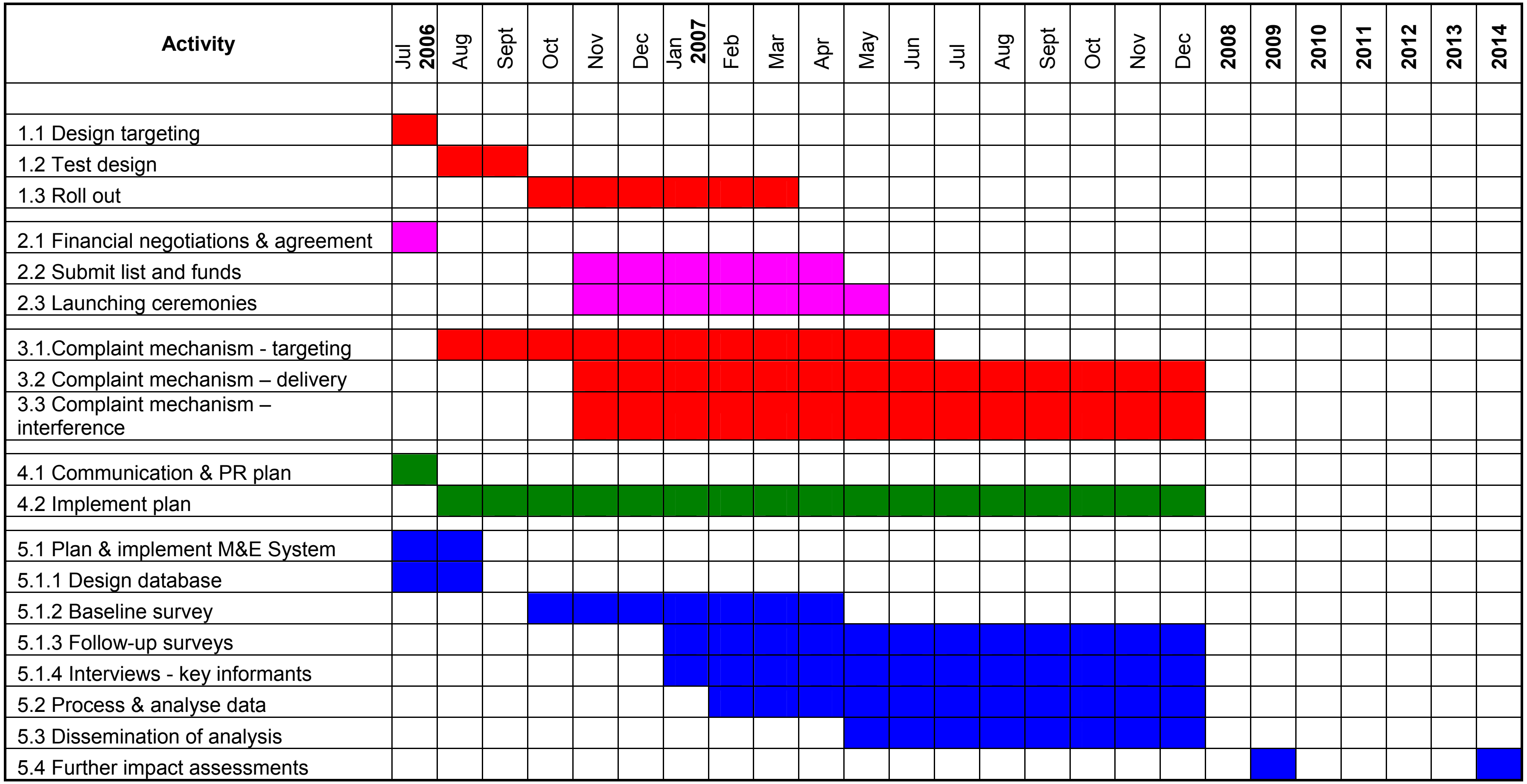
Objectives	Indicators	Means of verification	Assumptions
2. Approved households receive monthly transfers in a regular and reliable manner	2.1 Less than 5% of beneficiary households experience delays and/or incorrect transfer within one calendar year	2.1 Households survey 2.2 Saving/pass book	
3. An effective complaint mechanism is in place	3.1 At least 90% of received complaints are dealt within 30 days by relevant committee 3.2 Most of the community members consider complaint mechanisms as fair and transparent	3.1 Records of complaint committee 3.2 Opinion poll and group discussion	
4. Communities and other stakeholders are aware of objectives and modalities of capital transfer	4.1 At least 95% of beneficiary households that include children understand the purpose and modalities of the scheme and why they have been selected 4.2 At least 50% of non-beneficiary household members understand the purpose of the scheme, the selection criteria and the complaint mechanisms 4.3 Government authorities at national, provincial, district and divisional levels (and in particular GA, DS, GS Dept of Social Welfare/Samurdhi), LTTE, NGOs, international NGOs, UN and intergovernmental agencies are aware of project concept 4.4 From DS to community level, government authorities are aware of concept and key modalities of the project 4.5 All local bank branch managers are aware of purpose and key modalities of the project.	4.1 Household survey 4.2 Non-beneficiary household interview 4.3 Interviews with government authorities (at all levels), NGOs, international NGOs, PDS, UN and donor agency representatives 4.4 Interviews with government representatives at DS and community levels 4.5 Interviews with bank managers	

Table continued overleaf

Continued

Objectives	Indicators	Means of verification	Assumptions
5. Information on project effects and impact on outputs, specific objective and goal is generated and disseminated	5.1 Report produced on quality of testing and targeting 5.2 Report produced showing results of baseline survey 5.3 Follow-up report on household survey 5.4 Quarterly progress report on both process and impact of the project 5.5 End of project report 5.6 Impact assessment conducted and report produced in year three and year eight 5.7 Events (workshops, seminars carried out according to dissemination plan)	Availability of reports Events take place	
Activities for each output are documented in the attached timetable of project activities	Inputs required for implementing the activities are documented in the attached proposed project budget		

Timetable of proposed project activities[2]



[2] Due to logistical factors, the project could not be initiated as planned. It is now expected to be rolled out from October 2006.

Proposed project budget

		Pounds Sterling (£)	£	£
Support costs				
	2 x partnership development managers	20,000		
	1 x data entry assistant	6,000		
	Utilities, equipment, etc	74,000		
			100,000	
Programme support costs				
	10 x field assistants	49,000		
	Expenses	5,000		
			54,000	
Transport costs				
	Vehicle hire	50,000		
			50,000	
Monitoring/evaluation costs				
	(to include impact assessments in years 3 and 8)	180,000		
			180,000	
International staff costs				
	1 x Project Manager	75,000		
			75,000	
Total administrative costs				**459,000**
Total transfer value	US$8,000,000 (Rate: US$ 0.5748/UK£1) – exchange rate on 6 December 2005			4,598,400
Sub-total				**5,057,400**
7% management cost				354,018
Total project cost				**5,411,418**

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