



# USAID/OTI Sri Lanka Program

**Quarterly Report**  
**August 1, 2004 to October 31, 2004**

**Prepared by: Development Alternatives, Inc.**  
**Contract Number: OTI-D-00-04-00023-00**

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## PROJECT OVERVIEW

On 29 July 2004, Development Alternatives, Inc. (DAI) signed Contract No. OTI-D-00-04-00023-00 with USAID's Office of Transition Initiatives (OTI) to continue implementation of the OTI Sri Lanka program. The new contract replaces Contract No. AOT-I-03-98-00199-00 executed under the SWIFT I IQC. The above-referenced new contract runs until 31 March 2006.

After 20 years of civil war, the Government of Sri Lanka (GOSL) and the Liberation Tigers of Tamil Eelam (LTTE) signed a ceasefire agreement in February of 2002. Formal peace talks began seven months later, facilitated by the Government of Norway. In the weeks that followed the commencement of the talks, the parties demonstrated a willingness to compromise on controversial issues in an effort to make tangible progress towards a negotiated settlement. An assessment mission to Sri Lanka by OTI in late 2002 concluded that the current peace initiative had the best chance of any to date in bringing a sustainable peace to the country. OTI concurred, and the Sri Lanka program was opened in February of 2003.

OTI's overall objective in Sri Lanka is to generate greater support for a negotiated settlement of the conflict. The program plans to achieve this objective through the funding of activities under two sub-objectives. The first sub-objective is to increase awareness and/or understanding of key transition issues. Illustrative activities under this sub-objective might include workshops on federalism, peace-themed arts performances and interactive dialogues. The second sub-objective is to increase collaboration and participation among diverse groups to set and/or address priorities. Activities that might be funded under this sub-objective include rehabilitation of community infrastructure with active local stakeholder participation, community dialogues and advocacy campaigns.

OTI's island-wide geographic focus called for the establishment of three offices under the management of DAI. These are located in Colombo, Ampara and Trincomalee. These locations were selected in order to target populations and issues that were the most congruent with the program's sub-objectives.

The following report will detail the major challenges faced during the past quarter. These will be categorized as Programming, Implementation and Operations and will indicate how DAI addressed these challenges and maintained the program's commitment to rapid response.

## PROGRAMMING

### Country Situation during the Quarter

The quarter opened to continued political maneuvering by the political parties in the South over the government's efforts to secure a stable majority in Parliament. Members of the ruling UPFA actively courted minority parties for their seats; the opposition UNP tried to amass support against the government's overtures. The government's moves were widely believed by some political observers to be associated with the President's desire to amend the constitution to abolish the executive presidency, thereby positioning herself to assume the post of Prime Minister before the end of her current – and final – term as head of state. Others accused the opposition of being driven by the opposite political agenda. The conclusion reached by many observers was that Sri Lanka's political leaders seemed unable or unwilling to separate peace and prosperity from personal and political gain. Yet by the end of the quarter, the President had managed to successfully woo the Ceylon Workers Congress, or CWC, to join the government's ruling coalition, thus giving her a slim majority in Parliament.

The government and the LTTE continued to blame each other for the delay in the resumption of peace negotiations during the past quarter. The LTTE used the alternate excuses of the present government's instability, disunity within the ruling UPFA over the basis for a resumption of talks, and the Karuna question almost interchangeably. They further confounded a bemused public by stating that the Interim Self-Governing Authority (ISGA) proposals were indeed negotiable after having been steadfast in their refusal to consider this previously. For its part, the government consistently sent mixed messages about its position. Press reports on some days stated their willingness to use the ISGA proposals as the basis for negotiations; at other times, it was reported that the government would only resume dialogue if the ISGA was discussed in tandem with a final solution to the national question. The President, in a move that signaled her frustration with her coalition partner's position on a range of issues including the peace process, abruptly resigned as the leader of the United Peoples' Freedom Alliance in August.

As the content and level of the rhetoric from both sides sharpened, there was growing worry that the process might collapse entirely. The worsening situation prompted the Norwegians to undertake a new round of shuttle diplomacy during the third quarter. The facilitators traveled between Colombo and Kilinochchi trying to secure a fresh timetable for the resumption of negotiations, without success. As a leading delegation member said, "A frozen war is melting at the edges."

While the LTTE pointed its finger at the government for its seeming inability to keep coalition partners on message, the rebel group itself spent much of the past quarter trying to quell opposition from within the Tamil community. Aside from the continuing rampant assassinations in the East (see below), the Tigers were also busy eliminating rivals in other parts of the country. In Colombo, a Tamil politician opposed to the LTTE

and Sri Lankan Army informant were shot dead in August. In addition, four alleged Karuna supporters were shot to death in Colombo suburb hours after being discharged from a local hospital following treatment for injuries sustained in a previous attack by suspected LTTE cadres. Another Tamil activist was shot dead in Puttalam during the past quarter.

In the East, predominantly in Batticaloa, the killing of cadres and supporters from both sides of the LTTE continued unabated. While most of the dead were lower level cadres and supporters, leaders from both LTTE factions, including Karuna's brother Reggie, and from the Tamil community at large were also targeted.

There were a number of incidents in Batticaloa over the past quarter involving suspected LTTE cadres and the Sri Lankan army. Soldiers were attacked and injured in at least three separate incidents. For its part, the Special Task Force, the Sri Lankan police's crack security unit, arrested a number of LTTE cadres in Akkaraipattu after being found with cartridges and cyanide. In an effort to improve communication, the monthly meetings held in Ampara district between the STF and the LTTE, which had been suspended, resumed during this past quarter. The meetings were facilitated by the Sri Lanka Monitoring Mission.

Due to personal security concerns, there was a reduced presence of LTTE members in Batticaloa and Ampara over the past quarter and their political offices remained inactive. For local people this meant a cessation of the LTTE's tax collection. Reports were received from fishing societies, some businesses and even government staff that tax collectors had not been seen for some time. The LTTE initiated a house-to-house public relations campaign but it remains to be seen what kind of support they will receive in the longer term.

As a result of the ongoing violence and resulting security restrictions, an atmosphere of fear was prevalent throughout the Tamil community in Ampara and Batticaloa over the past quarter. Ordinary Tamils have been afraid to comment in trepidation that anything said would be misconstrued as support for one side or the other. In addition, most media institutions in Batticaloa did not function during the quarter due to the past killings of journalists. Most Tamil reporters fled to Colombo or were in hiding elsewhere at the quarter's close.

Besides the ongoing killings in Batticaloa, perhaps the most salient event of the quarter in the East was the capture of two Sinhalese home guards (armed militia sanctioned by the state) by the LTTE in the border area between Trincomalee and Anuradhapura districts. The home guards were caught by the LTTE and imprisoned for allegedly bringing weapons inside LTTE-controlled territory. Local people claimed that the home guards had been stealing cattle from Tamil civilians over the past couple of years. The detention of the home guards spawned several hartals (protests), road blocks and hunger strikes, allegedly organized by Sinhalese nationalist elements. In addition, the SLMM received threats of counter-kidnapping and detention of SLMM monitors unless the home guards were released. The situation continued to escalate until mid-October, when the home

guards were finally freed. The tensions so present throughout the ordeal seemed to dissipate overnight.

### **Mid-Term Assessment, Strategy and Team Building Session: Early Expectations and Final Results**

Despite the positive impact of many of the program's grant activities, the breakdown in talks between the GoSL and the LTTE has undermined much of the trust and optimism that existed following the ceasefire agreement. A change in government and a split within the LTTE has only heightened uncertainty over the future of a negotiated settlement and fear that the ceasefire is in danger of eroding. The current stalemate prompted program staff to re-visit the program's strategy and, at the request of OTI, an internal mid-term assessment was conducted in September.

The mid-term assessment provided program staff an opportunity to re-examine the broader political context, to re-visit the underlying assumptions and to reconsider the "big picture" that lies beyond our immediate programmatic reach to determine the effectiveness of our overall programmatic approach and objectives in light of changing conditions on the ground. The purpose of the assessment was to inform and consider options for increasing the effectiveness of OTI's short-term contribution to what, in the face of stalled peace negotiations and political paralysis, has become a long-term process: supporting Sri Lanka's transition to sustainable peace.

Specifically, OTI Sri Lanka requested that the mid-term assessment team make recommendations on how to: (1) adjust or retarget programming to ensure that it is strategic, responsive and politically relevant in the current context; and (2) increase synergy with USAID and other donor programs to prepare for closeout and possible handover to the Mission in March 2006.

The results of the mid-term assessment were compiled in a report and discussed in detail at the OTI strategy review session preceding the team building session (TBS) in Dambulla on 29 September through 2 October. In addition, results from the program's monitoring and evaluation initiative were also factored into the dialogue. The assembled program development staff concluded that while the overall objective of the program was still relevant, the program's sub-objectives needed to be re-focused to reflect current contextual realities. The sub-objectives as initially formulated under the old contract were:

- Demonstrate tangible benefits of peace;
- Increase the exchange of accurate, balanced information on peace-related issues; and
- Reduce or prevent incidents of violence in conflict-prone communities.

The new sub-objectives identified by staff are now:

- To increase awareness and/or understanding of key transition issues;

- To increase collaboration and participation among diverse groups to identify and/or address priorities.

In addition to the new sub-objectives, the program team took the decision to become more intentional in selecting its target audiences. Emphasis will now be placed on “key persons”, those individuals who have the ability to influence decision making and shape opinions at the grassroots level. Geographic focus areas also came under scrutiny. The team decided that going “deep” into a limited number of critical regions would be more impactful than spreading our grant making over a wider yet shallow area.

As an action item from the strategy session, each office/regional team narrowed its programming focus and identified their three “strategic locations” by 25 October. The program development team responsible for the South identified the Tissamaharama DS division, the Embilipitiya-Sooriyawewa corridor and the triangle described by Tangalle, Beliatta and Wiraketiya as the focus of its programming efforts for the coming months due to the potential for conflict between rival proxies of the mainstream political parties. The program development officer responsible for Puttalam and the border areas elected to phase out of activities in Puttalam in favor of greater concentration on communities along the border between Anuradhapura and Vavuniya, owing to the multi-ethnic dimension of the area and the hardening of attitudes against the peace process. The Ampara office identified its focus areas as Central Camp, a multi-ethnic suburb of Ampara town; Akkaraipattu, a community along Ampara’s east coast that has been the scene of clashes between Muslims and Tamils; and the Moneragala-Okkampitiya-Wellawaya triangle, where extreme disaffection among Sinhalese threatens attitudes towards peace. The Trinco team selected Trinco town and gravets, given its rich ethnic mix; the rectangle described by Muthur, Kinniya, Kantale and Seruwila for its diversity of issues and potential for conflict; and the corridor between Morawewa and Gomarankadawela, owing to its multi-ethnic nature and the recent home guard incident.

All offices will finalize any grants in the process of development under the old objectives but are also expected to begin development of new grant concepts in line with the new strategy. Finally, all offices will select minimum criteria for grant awards as a way of improving rigor in the types of activities the program chooses to fund.

### **Programming and the Contract Transition**

The new contract commenced on 1 August 2004. On that day, program development staff began making grants to cover the second phase of activities that could not be accommodated under the time constraints imposed by the old contract closeout. The challenge lay in making sure that this shift from the first phase grants to the second went seamlessly. In addition, program development staff began developing new grants that were consonant with the revised program sub-objectives.

Because the program enjoys a much more robust budget for grants under the new contract, comparisons with previous quarters’ grant making and commitment levels are

irrelevant. Subsequent quarterly reports will resume the practice of comparing quarterly performance.

### **Overall Programming**

At the close of the quarter, the program had made a total of 238 grants for \$5,705,618 since inception, of which 55 grants totaling \$1,705,614 were made under the new contract (see Annex A). This represents a burn rate of \$568,538 per month. Although this average is below the target of \$625,000 month envisaged under the new contract, it must be remembered that the program was not yet operating with a full program development team and that contract closeout was also taking place at the same time. When viewed through this lens, the program development team's performance during the past quarter was admirable.

Grant making during the first quarter of the new contract served to shift the overall geographic distribution of total grants and committed funds. National level grants – comprising media and information activities – comprised only 11% of total grants as compared to 21% as of the end of July. However, total funds committed to national level grants remained at a steady 11% of the overall total. This change reflected a greater emphasis on making regional grants during the past quarter, which was an outgrowth of the revised program strategy. In addition, some of the media and information grants made during the past quarter were not national in nature but rather focused on this sector at a local level.

Grants to partners in the south increased slightly to 24% of total grants versus 23% of total grants approved at the end of July. Funding for southern grants dropped slightly but remained a solid 33% of total funds committed to date. The change in strategy towards more process-oriented grants has brought the average grant award down; this accounts for the seemingly opposite trend in number and dollar amount of southern grants.

Jaffna grants remained at a stable 8% of total grants while commitment levels on these grants grew to 14% from 10% at the end of July. Two large grants to CHF were responsible for the increase. In Puttalam, grants remained at 5% of the total number approved but dipped to just 6% of overall grant funding, reflecting the decision taken at the strategy session to phase out of Puttalam. Grants in the border areas of Anuradhapura and Vavuniya comprised 4% of the total grants made to date on the program and a slight increase to 3% of overall funds committed. This signaled the decision of program staff to target the northern border area more intensively.

Grant making in the east (Ampara and Batticaloa) remained a healthy 28% of the program total. However, the percentage of total grant funds committed to date dipped slightly to 18%. Likewise, the percentage of grants made in the northeast also remained steady at 21% while funding for northeast grants decreased slightly to a total of 13% of overall grant funds committed. As with grants to the south, these shifts reflected lower average grant awards owing to a change in the nature of grant making. Details of grant making by office are addressed below.

## **Colombo Office Programming**

The Colombo office closed the quarter with a total of 119 grants for a value of \$3,765,557. Grant making for the quarter was robust in spite of old contract closeout activities, with 26 new grants being approved for a total of \$1,042,589.

From a geographic perspective, Colombo office grants approved during the past quarter were made in all areas covered by the office. Grant making in the south was particularly vigorous, with nearly half the grants made by the Colombo office during the quarter targeting this region. Grants to partners in Jaffna and national level grants also accounted for a healthy percentage of the total.

One national level grant that has received a fair bit of notoriety was the gathering of youth from around the country in Colombo to paint 11 peace-themed murals. The event was held on the grounds of the Bandaranaike Memorial International Conference Hall and received widespread media attention. The activity gained further attention when the murals were hung in Parliament during the important budget debate sessions. The youth involved were awarded prizes for their artistic abilities and expressions.

Program development in the south yielded many new grants this past quarter. One of the most noteworthy was a regional level media and information activity that will target peoples' perceptions of key transition issues, such as federalism, and air these over electronic media. This activity links to another smaller grant also approved during the past quarter that is conducting a series of awareness-raising sessions on federalism with grassroots communities in the south. The latter activity is using the outputs of yet another national level grant effort to produce simple booklets on the range of power sharing models in other parts of the world.

## **Ampara Office Programming**

At the end of October, the Ampara office had approved a total of 70 grants for \$1,171,965 since the program's inception. Of this amount, 15 grants for a total of \$342,029 were awarded during the period covered by this report. Geographically, eight grants were made to partners in Ampara district, three in Batticaloa district and one in Moneragala district. In addition, the Ampara team broke new ground by approving a suite of integrated activities in Badulla district.

Following on from interest generated by programs implemented under the previous contract by former grantee National Youth Service Council's "cultural peace group" and former grantee Sri Lanka Human Rights Foundation's street drama team, the Ampara office signed new grants with the two organizations to take their performances to a number of different areas in both Ampara and Moneragala districts. Some of the new locations will include communities where previous grants have been implemented as well as the office's newly selected strategic locations. Both programs are being reworked to address the program's focus on key transition issues and the changing Sri Lankan context.

As mentioned above, the Ampara office cleared a cluster of three grants with organizations based in Badulla district. Each grant aims to create stronger linkages between influential individuals, including government officials, and their communities. The main activity focus is to provide balanced information on key transitional issues and opportunities for opinions to be shared. An especially interesting component is the provision of access to these key leaders for youth peer leaders so that their voices are added to the ongoing dialogue. Using the new tools they gain from USAID/OTI trainings, youth leaders, with broad community support, will implement a small “shramadana” (volunteer labor) project in target communities to address a community identified priority. The community level activity will then be linked back to the influential leaders through their participation and support.

### **Trincomalee Office Programming**

By the end of October, the Trincomalee office made 14 new grants for a total of \$320,996. This is a particularly noteworthy accomplishment given that the Trinco office continued to operate with only one PDO during the reporting period, in spite of a massive recruitment effort. Overall, the total number of grants given by the Trinco office since the program’s inception was 49 for a total of \$768,107.

An interesting grant made by the Trinco office during the past quarter was a conflict mitigation initiative involving multi-ethnic youth through a vocational training program. The grantee, the National Youth Services Council, selected 180 youth who were already part of their ongoing programs to participate in the conflict mitigation workshops as well as develop a plan for renovation of the Council’s building. Each training program was facilitated by two trainers - a recognized conflict mitigation expert and an NYSC trainer. Part of each day of the workshops was dedicated to designing and painting a peace-themed mural on one side of the center's exterior wall. In addition to the conflict mitigation training, the youth enjoyed on-the-job apprenticeships with skilled laborers in executing the renovation of the NYSC facility. The Trinco office leveraged additional training support from the World University Service of Canada in implementing this project.

## IMPLEMENTATION

The most pressing implementation challenge of the past quarter was maintaining the implementation momentum of grants cleared under the new contract while simultaneously managing the closeout of all grants funded under the old contract.

Because of a shortage of staff and time constraints, many new grants were designed to begin after 30 September 2004, the last day of the old contract. This enabled program development staff to keep up the momentum of grant making in the contract transition period while implementation staff completed and closed out grants under the old contract. As a result, grant expenditure rates for the first three months of the new contract (see Annex A) were only 5.89% for the total current obligation for grants and 3.56% of the overall budget allocation for grants. This expenditure rate is expected to rise during the next quarter.

One of the most daunting challenges for the Colombo office continued to be implementation of Jaffna grants. Because nearly all goods that are procured in Jaffna carry with them a tax component paid to the LTTE, the program is unable to procure from Jaffna vendors. Thus, all goods must be procured from other parts of the country and transported up the A9 through LTTE-controlled territory. Special arrangements have enabled the program's goods to pass tax-free. However, the labor required to utilize these goods and materials has become scarce. Our own human resource constraints made placing a staff member full time in Jaffna to address the problem dilemmatic. The solution to this problem was to fund international NGO CHF to actually manage the labor component of reconstruction efforts while DAI staff procured the goods and materials needed. Not only did this solve the labor and human resource issues but it also saved the program funds that would otherwise have been factored into CHF overheads for the materials component.

The Ampara office continued to confront implementation challenges that were determined by external factors. The increased security levels that had been in place for the past months remained and staff were told to reduce their work-related travel. Although security continued to be more of an issue in and around Batticaloa, the Ampara office was vigilant in obtaining up-to-date information on the security situation before allowing staff to move along the coastal road.

The security situation in Trinco during the reporting period also impeded implementation somewhat but staff were able to circumvent this obstacle by conducting business remotely through telephone and fax.

## OPERATIONS

The highlights of the quarter are detailed below.

### **Administrative and Staffing Issues**

Recruitment for current vacancies in Colombo and Trincomalee continued this quarter. In Colombo, the Program Development Officer position vacated by Mr. Ashan Malalasekera in May was filled by Ms. Sudharshini Dharmawardane, former Grants Manager and IT Specialist for the program. Ms. Dharmawardane's move to her new duties created a Grants Manager vacancy in the Colombo office. That vacancy was filled in July with the hiring of Mr. Anver Mustapha as our new Grants Manager. Finally, Grants Manager Ms. Samudra Dissanayake began four months of maternity leave in mid-July as a result of her premature delivery of a healthy baby boy. The Colombo office was unable to locate qualified temporary candidates for Grants Manager in her absence. Thus, her duties were covered by existing staff for the period of her leave.

In Trincomalee, a second vacancy in program development was created by the resignation of Ms. Natasha Cassiere in July. Fortunately, the first Program Development Officer vacancy was filled in the same month by Mr. Thangavel Sakthivell. Mr. Sakthivell was previously employed by the Ministry of Industries. He is a certified CEFE trainer and graduate of the Karuna Center's peacebuilding training program.

In addition to filling existing vacancies, all three offices continued to recruit new staff, as provided under the terms of the new contract. Some new vacancies were filled by the promotion of current staff members or the lateral transfer of staff to other offices on the program. In all cases, the shifts in personnel were made in recognition of these staff members' fine performance. In Colombo, the new Grants Manager position was filled by the promotion of Mr. Surrendra Wijeratne, formerly a Procurement Specialist. The vacancy created by Mr. Wijeratne's promotion was filled by Mr. Lasantha Rodrigo, formerly a Procurement Specialist in the Ampara office. In addition, the third driver position in Colombo was awarded to Mr. Thanarajah Thurairasa, a driver in the Ampara office.

In the Trincomalee office, the search continued for program development staff. Ms. Premila Naguleswaran provided some temporary Program Development Officer support to the team while still managing her Grants Specialist duties. By the end of the quarter, two potential PDO candidates had been identified but verifications and reference checks were still ongoing. The new Grants Specialist position was filled by Mr. Leslie Jesurajan, formerly a Grants Specialist in the Ampara office. In addition, Mr. Sumith De Silva was selected for the third driver slot in the Trinco office. As of the end of the quarter, a new Procurement Specialist had not been identified.

The Ampara office saw the exodus of three staff members to other program offices. However, Ampara was also able to promote two staff members from within. Ms. Vani Nalayinee, formerly the Executive Program Assistant, was promoted to replace Mr. Leslie Jesurajan as Grants Specialist. In addition, Mr. Ahamed Labbe Sathath, formerly a driver for the Ampara team, was promoted to replace Mr. Lasantha Rodrigo as Procurement Specialist. New staff were also identified to take up new positions. The third Grants Specialist position was filled by Mr. Sachithanandam Sasiharan. Likewise, the vacant Executive Program Assistant position was given to Ms. Yogarajah Neerajah. The remaining vacant positions in Ampara were still under recruitment at the quarter's close.

In September, Ms. Barb Lauer of DAI/Bethesda covered the absence of Trincomalee Regional Program Manager, Ms. Brenda Barrett, who took seriously ill in late August and required medical treatment abroad. At the request of the COP, Ms. Lauer was sent to Trincomalee to cover Ms. Barrett's absence and provide leadership to the Trinco staff on program development, implementation and contract closeout issues. Ms. Lauer was able to maintain the program development momentum in Trinco through a time of competing priorities, understaffing and a sometimes tense security environment.

During the past quarter, incoming mail to all three offices was "bagged" for a few days after the US embassy received a letter in which white powder was found. The offending letter was sent at once for analysis; the substance was discovered to be non-toxic. Once this was determined, processing of incoming mail returned to normal in all the program's offices.

### **Financial and Contractual Issues**

On 29 July, final negotiations were concluded between the Office of Procurement and DAI for the establishment of a new contract for the program. The contract, which began on 1 August, overlapped with the old contract until 30 September 2004. The value of the new contract is \$14 million and the term of the contract extends the program until 31 March 2006.

## ANNEX A