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# SRI LANKA TRANSITION INITIATIVES PROGRAM

**SEMI-ANNUAL REPORT**

**APRIL TO SEPTEMBER 2007**

**APRIL-SEPTEMBER 2007**

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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# PROJECT OVERVIEW

On 29 July 2004, Development Alternatives, Inc. (DAI) signed contract number OTI-D-00-04-00023-00 with USAID's Office of Transition Initiatives (OTI) to continue implementation of the OTI Sri Lanka program. The contract replaced Contract No. AOT-I-03-98-00199-00 executed under the SWIFT I IQC. The contract runs until 31 March 2008.

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 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 was to generate greater support for a negotiated settlement of the conflict. The program planned to achieve this objective through the funding of activities under two sub-objectives. The first sub-objective was 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 was 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 four offices under the management of DAI. These are located in Colombo, Ampara, Trincomalee and, most recently, Matara. These locations were selected in order to target populations and issues that were the most congruent with the program's sub-objectives.

The initial thirty-two months of the contract from August 1, 2004 to March 15, 2007 were administered under the USAID-OTI Sri Lanka Transition Initiatives (SLTI) contract. On March 16, 2007, OTI handed over the management of the program to the USAID Sri Lanka Mission for the remaining twelve and a half months of the contract, up to March 31, 2008.

The following report will detail the major accomplishments realized and challenges faced during the six month period from April 1 to September 30, 2007.



# PROGRAMMING

## COUNTRY SITUATION DURING THE PERIOD

The country situation during months preceding, and into the reporting period changed significantly. Military offensives were stepped up. The Government, continued its strategy to capture areas under LTTE control across the north and east. Thousands of fleeing residents of Muthur East and Eachcilampattai, displaced to Batticaloa, these numbers were further swelled as the Government Forces moved further south, displacing thousands from Batticaloa. Just prior to the start of the reporting period there were approximately 159,000 individuals accommodated in 9 sites in Batticaloa District. Continuous clashes along the Forward Defense Lines at Vavuniya and Mannar also resulted in over 22,000 individuals being displaced and air strikes further north in Kilinochchi and Mullaitivu displaced over 46,000 people. During the initial resettlement process after areas were designated safe, serious concerns were raised at the highest government level regarding the forced or coerced return of IDPs, particularly those in Batticaloa, where observers reported people were returning through fear of 'missing out' on support if they stayed and protection abuses including the separation of families; as buses arrived women were forced onto the buses, leaving behind other family members. Areas of Muthur East, captured by the Military were designated as a Special High Security Zone under a Government Gazette notification, preventing those displaced to return to their homes. The Government proposed to allocate new land to the affected population, numbering approximately 15,000. Although some have been relocated to other areas in the District, many still remain in temporary locations.

With the increasing military activity security across the country heightened; the fear of reprisals and potential suicide attacks saw the introduction of additional checkpoints and random cordon and search operations. The additional security measures, however, could not prevent two attacks in Colombo in May. On 24<sup>th</sup> May in the Fort area a motorbike bomb detonated remotely targeted an Army bus, killing 1 and injuring 6, this was followed on the 28<sup>th</sup> May by a claymore explosion just south of Colombo on Galle Road next to the Military Airport at Ratmalana; seven people were killed and dozens injured.

Individual abductions and killings were daily occurrences, the human rights situation in the country continued to deteriorate, coming under heavy criticism from the international community, much of the criticism being rejected by the Government.

The presence of TMVP also increased during the period, additional offices in Batticaloa and Trincomalee were established and armed civilians, suspected to be Karuna members, were reported openly on the streets.

Shock at the first aerial attack on Colombo carried out by the LTTE during March was overshadowed by the second one carried out in the early hours of the morning during the

Cricket World Cup Final, which was being watched by thousands of keen Sri Lankan supporters. The LTTE targeted oil terminals south of Colombo, returning to their Mullaithivu base successfully.

In June the Government came under heavy criticism after an ordered eviction of Tamils residing in lodges in Colombo. Many were forcibly removed and transported to various parts of the island on buses. After condemnation internally and from the international community the order was overturned and many were returned to Colombo.

The human rights situation in the country during the period has come under heavy criticism from the international community as abductions and killings continue.

## **OVERALL PROGRAMMING**

During the reporting period, the project awarded a total of 42 grants valued at \$3,801,587. This brought the total grants awarded as of the end of the reporting period to 736, valued at \$32,163,887 since the inception of the project in February 2003. Since the new contract, in August 2004, a total of 553 grants, valued at \$28,488,567, have been awarded.

By the beginning of this six month period, the majority of the tsunami supplemental funding had been committed and new grants were funding primarily through the savings of completed grants that did not spend all the money originally obligated to them. Where as the previous six month period, covering October 1, 2006 to March 31, 2007, saw 86 of 106 grants (81%) come from tsunami funding for infrastructure, information dissemination, and livelihoods activities, this period programmed 16 of the awarded 42 grants from tsunami funding and the remaining 26 of the 42 from savings based on reallocations of unused money in completed grants.

The change resulting from the handover of the project from OTI to the USAID Sri Lanka Mission is principally that the Cognizant Technical Officer (CTO) now resides in Colombo, rather than in Washington.

In March 2007, SLTI held a program meeting to develop a work plan for the upcoming six month period covering April to September. The concept of “programming through savings”, meaning reassigning the funds remaining after grants are completed was developed by the team. Taking into consideration the funds available for reprogramming, together with the remaining funds, strategic areas were considered and priority grants identified.

## COLOMBO OFFICE PROGRAMMING

Through April 2007, the Colombo office has cleared a total of 185 grants totaling \$7,960,847 since August 2004<sup>1</sup>. In the period from April to September 2007, the Colombo office cleared sixteen (16) new grants for a total of \$796,211. Following the strategic lead of USAID/Sri Lanka, the Colombo office has dedicated the majority of its new programming in this period to the North-Central Province and on island-wide activities. While continuing to implement programs addressing tsunami-affected populations in the Galle district, the Colombo office concentrated its new program development on setting the foundation for future USAID programs in Good Governance and Economic Growth, particularly in the North-Central Province.

Following through on its commitments in the South, however, the Colombo office, has been working to complete its remaining public infrastructure projects in the Galle district. In addition, the Colombo team has cleared two new grant activities within the six-month period to address community needs in the Ambalangoda division of the Galle district: 1) the rehabilitation of a tsunami-affected vocational training center and 2) the rehabilitation of a community center and creation of a recreational beach park.

In the North-Central Province, the Colombo office has developed three new activities focused on supporting farmer's organizations. In order to improve the competitiveness of small scale farmers in one of the driest and poorest regions of Sri Lanka, it is important to strengthen existing association and organizational structures, and, in some cases, create new ones. Farmers are learning the power of collaboration and that pooling resources and knowledge enables them to produce more cheaply and sell for a higher price.

In addition, the Colombo office has developed the first of two activities planned to assist small scale traders in the North-Central Province to re-establish their traditional trading links with like traders in the Northern and Eastern Provinces surrounding Anuradhapura, namely Vavuniya, Trincomalee, Batticaloa, and Mannar. The ties between these traders have been severed due to conflict, but through a series of meetings with traders, local authorities and representatives of the security forces, the traders have begun the process of relaxing the borders, both metaphorically and physically. By identifying constraints and brainstorming potential opportunities that exist, the traders have been able to think about these challenges as a unified group and act accordingly with one voice, which has been heard by the local officials that have participated thus far.

During the reporting period, nine grants were developed to continue USAID/SLTI's focus on improving governance. The activities were wide-ranging, representing the Colombo office's

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<sup>1</sup> 263 grants totaling \$9,739,429 since the program's inception

focus on the North-Central Province and island-wide initiatives, as well as the range of activities that would best support USAID strategy and the upcoming projects. Activities included direct training to local authorities, media awareness, anti-corruption awareness raising, infrastructure support, and support to human rights organizations in both Jaffna and Colombo.

Media freedom is a major indicator of a strong democracy. In Sri Lanka, media freedom continues to be a major concern. Journalists continue to operate in fear and provincial journalists, those on the ground in the most difficult situations where the real news is taking place, do not have the opportunity to print or broadcast their stories due to censorship and self-censorship. In order to raise the confidence of these journalists, as well as the national respect for their courage and professionalism, the Colombo office has developed a program to establish a national journalism award for public service provincial journalists. The award not only serves to draw attention to the most accomplished journalists, but also raises awareness of the difficult media environment in Sri Lanka, sets standards for best practices and increased professionalism, and showcases important provincial stories on a broader scale. The activity will culminate in a national-level award presentation in mid-January 2008.

Continuing its relationship with local government officials in Anuradhapura, the Colombo office was able to successfully develop and implement a grant to build the skills capacity of local leaders through a training program that not only provided training opportunities, but also built in a training-of-trainers workshop complete with training modules for the district secretariats (divisional leaders) to use in the future.

In Sri Lanka, the incidence of bribery and corruption is rampant, contributing to a feckless democracy and lack of government accountability and citizen trust in their government. The only institution tasked with investigating incidents of bribery in the public sector is the Bribery Commission in Colombo. In order to increase the efficacy of this under-funded institution, the Colombo office was able to rehabilitate its central office, creating a library and auditorium within which its lawyers and investigators can study and conduct research. In addition, working with Transparency International, the Colombo office was able to print and distribute over 150,000 anti-corruption children's books written by acclaimed author Sybil Wetthasinghe, which were distributed throughout the island to public schools, libraries, and local government offices.

In response to the rapidly deteriorating human rights situation, especially in the North, and in support of USAID's future focus on strengthening human rights organizations, the USAID/SLTI program provided equipment and training to three human rights organizations, two in Jaffna (Center for Peace and Reconciliation and Center for Human Rights and Development) and one working out of Colombo (Civil Monitoring Commission). By supporting and strengthening groups that are working to address human rights issues, the Colombo office has been able to support already existing and notably successful programs and has contributed to addressing the prevailing human rights crisis.

## **IMPLEMENTATION**

During the six month period, the Colombo office continued to implement a large portfolio of activities in Galle and the North-Central Province. As the program continues toward its zenith in

early 2008, projects in the South are concluding with ribbon cuttings, opening ceremonies, and much local fanfare, but the true impact of these public libraries, community centers, beach parks, and other community infrastructure projects are the relationships that have been developed throughout the implementation process over the last four years.

Local NGOs, government officials, international donors, and community organizations that have been participating together through USAID/SLTI programs for the past four plus years are now collaborating on their own, searching for common solutions to community challenges, and thinking about challenges in terms of opportunities, instead of intractable problems. These intangibles have helped to crystallize and define USAID/SLTI's work in the South and have given the rehabilitated and newly-constructed public structures real meaning and will ensure their sustained intended use into the future.

Over the past six months, the Colombo office has opened a new library in Habaraduwa, new public bathrooms in Ambalangoda, a beach park in Koggala, thirteen rehabilitated water wells and a public library in Balapitya, and the central offices of the Bribery Commission in Colombo. By the end of the year, the office will have opened another beach park, vocational training center in Ambalangoda, and a 1.8 kilometer road in Ahangama.

In the North-Central Province, the Colombo office has been able to build upon its relationships with the local government, the university sector, local partners, and the community through a series of programs focused on strengthening local governance in what the Colombo office has dubbed the "model community." Within the Divisional Secretariat, or *Katchcheri*, in Anuraphapura, the Colombo office has been able to build upon the work begun under a grant early in 2007, which set up a relationship between local university and radio station to capture the voices of the public to raise issues facing the community that falls under the purview of their local government officials. The resulting radio programs have been aired over 8 weeks and will continue to be captured, aired, and eventually sponsored by private sector companies. Over this six-month period, the Colombo team has been able to implement a training program for the District Secretaries, their assistants, and the local village-level leaders, the *Grama Sevikas*, through a training of trainers program that will continue to be fruitful as the *Katchcheri* expands its in-house training capacity in the coming months.

## **SECURITY SITUATION**

While security remains extremely tight in and around Colombo, there have been relatively few instances of violent attacks in the last six months. The last attack within Colombo city limits occurred on May 28th when a claymore bomb blast exploded just south of Colombo on Galle Road next to the Ratmalana Airport; seven people were reported killed and dozens injured in the blast. Just a few days earlier on May 24th, in the Fort area of Colombo, a motorbike bomb detonated remotely targeting a Sri Lankan army bus. One person was killed and six injured in the blast.

In Anuradhapura, security remains tight, especially along the border, although there have been no direct security concerns within USAID/SLTI project areas. Due to security concerns, the Colombo office's work in Jaffna has been remotely monitored to date and depends on

relationships with local and international NGOs working on human rights issues in the district. The security situation also makes procurement in the district a challenge.

## **AMPARA OFFICE PROGRAMMING**

At the end of September 2007, the Ampara office had approved a total of 131 grants for \$6,887,075 since 1<sup>st</sup> August 2004. Of this amount, 11 grants for a total of \$1,219,981 were awarded during the period covered by this report. Geographically, five grants were made to partners in Ampara district, four in Batticaloa district and two that span both districts.

The implementation of key infrastructure components became to be the major focus of the Ampara team's programming during the past six months, concentrating on the all the validation work that has been done in the last quarter. Although the team's main focus was provision of infrastructure to tsunami-affected communities, the team still addresses livelihoods sectors, training of local government, and information dissemination. Geographically, the Ampara team's strategic focus shifted to cover almost exclusively Ampara Coastal and Batticaloa Coastal areas, ranging from Batticaloa Town to Pananma, south of Arugam Bay. This shift in focus was made to ensure a clear focus on areas of inter-ethnic, political and religious tension that were also affected by the tsunami.

Outside of these main strategic locations, work continues in non-tsunami affected Buttala and Central Camp. Work in Buttala is a continuation of an old grant that required further attention before it could be closed; while Central Camp has strong ethnic tensions in the area and therefore critical for the program to continue working. Everywhere, the team continued to build ties with local elected government bodies, strong local NGO partners, and international NGOs in order to develop the key aspects of its conflict interventions. For infrastructure development, the team mainly partnered with local government in order to build libraries, bus stands, and markets and to train government staff in skills that will help them serve their communities.

## **IMPLEMENTATION**

At beginning of the reporting period the Ampara team had big challenges ahead of them on programming side. All the infrastructure validation completed in the three months before this reporting period was slated for implementation in these six months. In this period the team started and or continued implementation for infrastructure work on four libraries, four markets, two computer resource centers, two water and sanitation projects, two major road projects, a light house, and a technical college. This represents over 35% of the entire SLTI infrastructure portfolio. By the end of the period, two of the sixteen projects—the two computer resource centers had been completed, handed over to the grantee and operationalized. The Kathankudy library building was completed in September, but providing the library with equipment, furniture and books was still on-going. This library, along with many of the other infrastructure projects, are on schedule to be completed and opened in the first half of the next reporting period.

The highlights of the infrastructure work during the reporting period are the road construction work started in Arayampathy under DAIC518. This grant was flagged by the Regional Inspector General (RIG) audit as a cause for concern because of underperformance by the grantee. The Ampara team has worked closely with the Arayampathy DS, Batticaloa GA, the grantee, contractor and the community to push this project forward in a timely manner. It is estimated that the works will be successfully completed in November.

Important construction works also started in the Central Camp Markets. Two markets are being renovated in two colonies-one Tamil and the other Sinhalese. As the two ethnically based markets are renovated, the grantee, a local NGO called Group Action for Social Order (GAFSO), is working to bring both the Tamil and Sinhalese communities together. Once the markets are completed it is hoped that trade will form the platform for the communities to restore links and common grounds. This grant is also in the process of creating a joint vendors association with the two communities. In addition to the support received under the DAI grant, OXFAM GB is supporting livelihood projects for both these markets.

Both Batticaloa and Kalmanai markets grants (DAIC715 & DAIC698) were started in this reporting period with different levels of support from the Municipal Councils on their respective projects. It should be noted that the Batticaloa Municipal Council is not democratically elected at present and therefore does not have the political tensions that are prevalent in Kalmanai. In Batticaloa, the Ampara team experienced a full commitment and support of the Municipal Council to relocate the vegetable vendors in order to start the construction on the market as quickly as possible. In Kalmanai, however, progress has been slow because of continued infighting between the Commissioner of the Municipal Council and the Mayor. This said work is progressing on both sites but Kalmanai will need to be extended in 2008 to complete all the work outlined on the grant.

In a complimentary grant (DAIC735), both these markets have been supported by Faculty of Medical Science of the Eastern University in Batticaloa to promote hygienic conditions and improve the sanitary environments where vendors work and the public shops. Again the work in Batticaloa is being far more effective than in Kalmanai due to historical as well as lack of political interference.

Outside of work in infrastructure, the Ampara team has also focused on livelihoods and trainings supporting local government staff. Ninety Tamil, Sinhala and Muslim librarians and assistant librarians from both Ampara and Batticaloa district were trained in a series of five day workshops in Kandy under DAIC721. With grant DAIC722, Batticaloa environmental officers from various local government offices participated in an environmental survey, consultation and training program. From the results of the environmental survey that took place in Arayampathy and Kathankudy divisions, the Ampara team is working with Kattankudy Urban Council to develop a grant to replace the bus stand project that had to be cancelled (DAIC636) for security concerns. At end of the of this grant period an Environmental Resource Center (ERC) was opened on 31<sup>st</sup> August in the Regional Assistant Commissioner of Local Government Office in Batticaloa. The purpose of the ERC is to strengthen the coordination among all players who involve the environmental projects.

Furthermore, four hundred and five (405) beneficiaries along the Ampara coastal strip received livelihood assistance in agriculture, food processing, rice processing and weaving industries. Two hundred and sixty five (265) of these beneficiaries received self employment training in Alayadivembu DS division. Core to these livelihood projects was the formation or strengthening of community based organizations (CBOs). To this end, four CBO members were trained in leadership development, financial management, marketing and quality control. One CBO was trained in food processing practices.

In order to address solid waste management, an important and critical issue in Ampara and Batticaloa districts, the team tried to develop a grant with Kalmanai Municipal Council and CASP. Unfortunately the teams' efforts were thwarted as the Municipal Council proved to be obstructive and the requisite support and clearance could not be obtained. After a lot of effort by the Ampara team, USAID, and CASP, the grant had to be cancelled.

The Computer Based English Learning Center (DAIC523) grant was successfully completed and is providing on going language training skills to the population of Batticaloa. The Municipal Council and the Ampara team developed the Center's management plan, advisory board and developed a constitution which was agreed by all parties. The Center is now a great resource for the people of Batticaloa.

Two key visits occurred during this reporting period: that of the Mission Director Rebecca Kohn and that of Deputy Assistant Administrator for Near East and Asia, Mr. Mark Ward. The Mission Director conducted the stone laying ceremony at Kalmanai Market and the Deputy Assistant Administrator opened the Computer Resource Center in Akkaraipattu.

## **SECURITY SITUATION**

Within Ampara and Batticaloa districts, security issues continued to cause major implementation problems with grantees canceling events, military offensives, internally displaced people (IDP) movements and civil unrest causing increased tension and fear within communities.

The Sri Lankan military continued its offensive into the northern parts of Batticaloa and eventually captured Thoppigala in mid July. Some of these offensives were undertaken from within the city limits of Batticaloa town. Through April to July artillery and multi-barreled rockets were fired on almost a daily basis from the military camp next to the municipal council creating a very tense environment as council workers suffered constant shock waves to their building and noise disturbance (this was to a less extent during June and July). These military actions have had a psychological affect as the local population was being used as human shield against LTTE attacks. Through the reporting period the Sri Lankan Military advanced further north and military offensives ceased to occur in within the city limits. However, civilians were displaced from the operational in the north and south of the district areas to the coastal areas of Batticaloa and Ampara district.

As the government's offensive moved the LTTE further north, a certain degree of stability was recovered. Unfortunately as quickly as the LTTE's grip on communities was removed, Karuna

was there to take their place. The Sri Lankan military and Karuna relationship became more apparent and flagrant over the reporting period as armed cadre's patrolled the street next to Sri Lankan military check points. Although Karuna's grip on communities is not as strong as the LTTE, it still creates level of fear as youth recruitment, abductions and sectarian killings continued. As the strength of the Karuna and its political wing TMVP grew, Tamil communities began to utilize the TMVP as a solution to community problems where the police would take inadequate or no action. This further exacerbates tensions and unease in the communities.

The mobile phone networks were cut, including CDMA, in the Ampara and Batticaloa districts for nearly 2 months in Ampara and 5 months in Batticaloa during the reporting period. Presumably this was linked to the ongoing government offensives against the LTTE in Ampara and Batticaloa districts. The only network with some coverage was TIGO. As a result sharing and gathering security information has been difficult between staff and INGOs. The mobile phone networks coming back online in both districts has greatly improved communication and coordination within the program and with partners within the districts. Pockets of the districts still remain without coverage as military and LTTE confrontations continue. These are mainly Thirokovil and inland of Kaluwanchikudy.

On 2<sup>nd</sup> April 2007 a passenger bus en route to Budulla from Ampara was bombed by an unknown group killing 15 civilians and further injuring 10 civilians. This incident took place close to a check point in Ampara and the military training camp Kondavedduvan. This incident sent a shock wave through Ampara district as very few incidents have happened in around Ampara Town itself. Increased military presence was introduced into the town and this made movement in the follow weeks and throughout the rest of the reporting period constantly difficult for staff traveling to and from work.

DAIC636- Kathankudy Bus Stand was a major focus of security concern because of two incidents that took place in the previous reporting period. Work was suspended on 7<sup>th</sup> March 2007 after the Ampara team's contractor's engineer's car was shot up and a bullet was fired into his house in the early morning. Unknown gunmen entered the premises of his family home whilst the engineer was not there. The incident is not thought to be linked to USAID's involvement in the project; rather it is linked to inter-Muslim political rivalries stemming from a former minister's presence at the stone laying ceremony for the grant battling for kudos over the project. Three letters were received during the reporting period threatening USAID not to continue with the work as the site proposed was a cemetery and building on the site would be against the Muslim religion. The Ampara team worked very closely with the all actors and the community and came to a joint decision with USAID that the project was not possible within the contract period of SLTI and on the current site. The team will finalize the conclusion of the grant and hand the site back to the grantee and develop instead a grant that will assist Kattankudy Urban Council in solid waste management.

Up coming local elections in early 2008 are influencing activities of factions and political groups in the Batticaloa area. The town of Batticaloa remains tense and is predicted to do so over the coming months as the possibility of the elections become clearer.

## **MATARA OFFICE PROGRAMMING**

At the end of the reporting period, the Matara office had approved 113 grants for a total of \$6,600,485 since its opening in April, 2005. Of this amount, six grants totaling \$761,748 were awarded during the six month period covered in this report. Continuing its almost exclusive focus on infrastructure, livelihoods, and information dissemination programs in tsunami-affected communities, the Matara office was able to develop six new activities during the period.

Given that tsunami commitments have all been made under the USAID/SLTI program and that USAID/Sri Lanka has made a strategic decision to focus its future funding toward the Northeast and East, the USAID/SLTI program will close the Matara office by the end of October 2007. As such, the Matara office has not developed new programs over the past three months and has focused its energies on implementing ongoing activities and positively concluding the relationships it has developed over the past two and a half years. Early in the reporting period, the Matara office developed new programs to rehabilitate three roads in Matara Four Gravets, Kudawella, and Deniyaya; a hospital in Thissamaharama, a machine repair shop in Kirinda, and a partially-built eco tourism center destroyed by rising waters caused by the Tsunami. A more detailed description of these activities follows.

The Market Road in Matara, badly affected by the Tsunami and identified as a priority by the community, grantee and the Matara Municipal Council, is being rehabilitated to better facilitate the vendor's transport of their products. The community relies on the road as an economic link between the main seaside road and the bustling Matara marketplace. The Kudawella Road, also damaged by the Tsunami, provides one of two entry points to the Kudawella fisheries harbor in addition to being the sole entry point for the "blow hole," a local seaside tourist attraction visited by thousands each year. Damage to this road badly affected the local economy as the vast majority of the inhabitants of this area depend on fisheries or tourism for their livelihoods. The road rehabilitation provides the community an opportunity to work with their local government authorities to address a common prioritized need. The rehabilitation of the main linking road in Deniyaya will improve accessibility of the communities to basic services, including health and education facilities as well as access local markets.

Since the Tsunami, the Thissamaharama Hospital has been overwhelmed with the number of people depending on its services. In order to better serve the community, this grant has begun to construct two new wards, connecting them and providing toilet and sanitary facilities as well. Through this activity hospital staff will also receive a series of awareness raising workshops on the importance of good governance, conflict resolution, and benefits of the rule of law.

Part of a larger effort by the USAID-funded SCOTIA program and Mercy Corps, the rehabilitation of the Rekawa Eco Tourism Center will provide an essential focal point and physical base for a number of training and community development activities being implemented to support the Rekawa eco-tourism community development plan. The Matara office is working with these international organizations and the Rekawa Development Foundation to ensure that the physical rehabilitation coincides with the development plan and is properly vetted and discussed with other local interests and community members. The Matara office is also supporting the renovation and reequipping of the machinery repair workshop and connected store and toilets of the Tsunami-affected Kirinda Fisheries Harbor. This need was

identified and prioritized by the Harbor Management Committee, a joint-representative body, which includes representatives from the various fishing groups. The renovation of damaged infrastructure will complement the rehabilitation activities of an earlier USAID/SLTI activity to restore the harbor, ensuring the dredging machines repaired under this grant are maintained properly in the future. The fully functioning workshop will provide repair services for all the fishermen using the harbor at a subsidized rate.

## **IMPLEMENTATION**

Focusing on programs related to community infrastructure rehabilitation, livelihoods recovery, youth education, community participation, and good governance, principally in the strategically identified locations of Thissamaharama, Tangalle, Matara Four Gravets, and Galle Four Gravets, the Matara office has been able to complete and hold public openings for numerous community infrastructure projects that concluded during the period, including rehabilitation of the following: Weheluwewa Tank in Kuduwella, three roads in the Hambantota, the fisheries cooperative building and community center in Weligama, two public libraries Hambantota, Kapparatota Fisheries Building, and the Matara Municipal Public Library.

Prior to the culmination of these infrastructure projects, the Matara office worked to resolve arising issues, both legal and structural, by working with the community, local officials, and other stakeholders. Under a grant to Mercy Corps to rehabilitate seven community-identified sites, activities were delayed due to the community identifying projects later than planned and also due to delays in government and official approvals to allow the identified projects to go ahead. Mercy Corps was able to conduct meetings with all stake-holders, communities and implementing partners to identify the pending issues and establish an action plan for future implementation and planning.

Work on the Matara Municipal Library continued through grants DAIC619, DAIC621, and DAIC622. The renovation of the Matara Municipal Library progressed more slowly than planned, and delays in the construction resulted in some tensions within the community, particularly as the reference section was needed for A-level students to study in for their exams. The USAID/SLTI program responded to the concerns by holding additional monitoring meetings with the various partners in order to push the work forward. After completion of the construction and delivery of all the equipment, the librarians were trained in the new automated referencing system run on the new computers and several training workshops were held to build the capacity of the library clubs who worked to arrange all the books and furniture. The project culminated with Inauguration of the rehabilitated library system on August 20.

Land claim disputes threatened the successful completion of the Livelihood Support through Market Improvement project through the Matara Municipal Council. While resolution to the land claim dispute was finalized in June, several families living near the approved site disagreed with the choice of location. In order to address community concerns about the location of the public toilet block, the construction contractor, Superintendent of Works (SOW) from the Matara Municipal Council, NEAT Solutions, and USAID/SLTI implementation team met and agreed to build a wall to separate the community housing from the toilet site.

More land rights issues arose on the Improving Infrastructure to Increase Social Cohesion program through the Social Development Forum (SDF). Through a series of meetings with the support of the Thissamaharama Pradeshiya Sabha (a highly-politicized JVP-led body), the Divisional Secretariat, the Land Commission, the grantee, the USAID/SLTI implementation team, and the community, all land issues were eventually resolved.

By the end of the reporting period, the Matara office was able to successfully conclude the majority of its activities in time for the October office closing. The remaining infrastructure rehabilitation activities will be monitored and implemented from the Colombo office.

## **SECURITY SITUATION**

The Matara office has not faced any serious security issues. Primarily additional police checks, with a new check point set up near the bridge at Bentota in mid-July. The chairman of Akurassa Pradeshiya Sabha (PS) was shot by an unknown gunman on August 4<sup>th</sup>. A UNP and Magalia group rally in Matara town on August 10<sup>th</sup> caused no major issues.

## **TRINCOMALEE OFFICE PROGRAMMING**

Just prior to the reporting period Trincomalee hosted a visit from Mike Hess, Assistant Administrator, DCHA and Rob Jenkins, Acting Director USAID Office of Transition Initiatives on 30<sup>th</sup> – 31<sup>st</sup> March as the Program officially handed over to the USAID Mission. While Mike Hess visited internally displaced people (IDPs) in Kiliveddy to see the situation on the ground first hand, Rob Jenkins participated in a number of OTI events.

During the reporting period the Trincomalee office cleared nine grants for a total of \$1,023,648. These grants bring the total number of grants given since August 2004 to 124 for a total value of \$7,040,159 and the total number since the inception of the Program to 159 for a total value of \$7,470,062.

Whereas during the previous 6 month period over 50% of all grants given focused on developing infrastructure related grants, based on a series of community consultations and validations; during this reporting period infrastructure grants accounted for only 22% of the total grants given. More emphasis was placed on consolidating and expanding on previous grant activities to pave the way for future USAID programming interventions.

The promotion of livelihood opportunities was a key factor in much of the grant development, two of which involved support to existing and former grant beneficiaries through training in new skills and technology and enhancing their marketing and business acumen, culminating in a 'Trade Fair' to promote local businesses that are linked with Chambers of Commerce from across the north and east

A large scale infrastructure project developed over the period drew the interest of Hellenic Aid, which resulted in a jointly funded grant to rehabilitate the Anuradhapura Junction Market. In an

area of mixed ethnicity prone to communal violence and near the scene of attacks on the military, the market was commonly identified as a strategic location to promote positive relationships among all communities through socio-economic inputs. In addition to the physical rehabilitation of the market, the grant includes a series of training components with the community and the local authority responsible to promote improved livelihood activities and encourage greater ownership, responsibility, and good governance. The stone laying ceremony to mark the beginning of construction was held on 11<sup>th</sup> August 2007, presided over by Mr. James Moore, Deputy Chief of Mission. In addition, the Deputy Chief of Mission also inaugurated a fish market in Kinniya, one of two built in the area to support the regeneration of fishing activities, badly affected by both conflict and the tsunami.

Another jointly supported project, this time with the USAID English Computer Based Learning Program, blending English education with peace, particularly targeting vulnerable multi-ethnic youth, was the Expansion of the English Language Center in Trincomalee. The USAID English Computer Based Learning program provided the software for the program through DynEd International, and the Trincomalee office has expanded capacity at the Academy with the provision of thirty additional computers to accommodate the rising enrollment.

Of notable significance for the Trincomalee team was the re-engagement in Muthur which had been off limits for almost a year due to the conflict between the Government Security Forces and the LTTE which had resulted in the Government's capture of strategic locations in the area held by the LTTE,. The grant, designed to support the rejuvenation of the Committee as a mechanism to support communal peace, incorporated a range of activities, primarily focusing on capacity building of the membership, to increase their potential to support the communities which had experienced severe conflict over the last year.

## **IMPLEMENTATION**

General conditions for implementation improved over the previous period with less disruption being caused to activities. However, anti NGO/INGO feelings generated by certain political parties, supported by reports in national media, continue to raise concern among the humanitarian community, particularly with the increase in the number of abductions and killings of NGO/INGO staff. In addition, limited access to certain areas and the introduction of a vehicle pass system and work permits has created difficulties for some organizations.

Confidence levels among communities remains quite low, with the threat of full scale conflict still looming and communal tensions still existing. One strategy adopted by the SLTI Program to encourage full participation in workshops and training activities has been to conduct them out of the District, which has had a significant impact on their success. Participants feel less vulnerable and more open, enabling them to interact more freely and discuss issues affecting them and the communities they live in; the result being they absorb more and gain confidence in their role and ability as potential catalysts for promoting peace in the communities they live in.

The supply of building materials remains limited at times, some outside suppliers are have been reluctant to come to Trincomalee for two primary reasons; security and the rigid procedures they face when entering and leaving the District. The situation has had an adverse impact on

construction work in the District, particularly affecting the resettlement activities for returning IDPs.

## **SECURITY SITUATION**

The return of IDPs, the majority of which were displaced to Batticaloa during the Government's offensive to gain control of areas under LTTE administration, continued throughout the period. Serious concerns were raised at the highest government level regarding forced return/coercion of the IDPs. Observers reported people were returning through fear of 'missing out' on support if they stayed, food was withheld and other protection abuses included separation of families.

On 30<sup>th</sup> May the Government released a Gazette notification designating areas of Muthur East and Sampur as a Special High Security Zone, rendering a large area inaccessible to approximately 15,000 former residents. The Government proposed relocating the residents in other areas of the District, identifying 105 acres of land for the purpose. In addition, the proposed Trincomalee Special Economic Zone plan continued to raise concern among the population and agencies working in the District.

The period witnessed the increase in the presence of TMVP in Trincomalee. Several offices were reported to open in and around Trincomalee town. Armed civilians, presumed to be Karuna supporters, were openly observed on the streets, particularly in the evenings. Reports of intimidation were received and although their presence was notified to the relevant authorities no visible action was taken. In July the Tamil National Alliance organized a hartal against the government's proposal to create a Special High Security Zone in Muthur East and Sampur. Although observed by most shops and businesses during the morning, Government Security Forces were reported to have visited some, forcing them to open in the afternoons.

Individual abductions and killings continued throughout the period, particularly in the Trincomalee town suburbs and further north in Kuchchaveli DS Division.

# OPERATIONS

## CONTRACTS

There were no incremental funding changes during the April to September 2007 period. Following the transition of the SLTI program to USAID Sri Lanka Mission management which was documented in Modification 9 to the contract in March 2007, a modification was executed in May 2007 to change the payment office to the Sri Lanka USAID Mission.

The program's infrastructure grant activity continued at a fast pace and several purchase order subcontracts to engage the services of local construction contractors were submitted and approved by the contracts office. Those submitted for contracting officer approval were in met or exceeded the \$100,000 approval threshold.

## ADMINISTRATION

Members of the project-wide support team, the COP, DCOP, Procurement Manager and Infrastructure Team continued periodic visits to each field office during the quarter. All three offices were visited and continue to be visited on a regular basis. The team focused on addressing key implementation challenges and provided support and troubleshooting on implementation issues.

The project received an updated valued-added tax exemption letter for the period April 8-October 8, 2007. The issue of value-added tax liability for cash grantees and implementing contractor partners on infrastructure grants continued during the reporting period. A stop gap measure was taken to address the immediate need while the Mission continued to work on resolving the issue with the Department of Inland Revenue officials. Cash grant and infrastructure contractor partners were provided with a copy of the program's VAT exemption letter and a cover letter tying the specific awarded activity and its components to the program's main exemption.

The planned move of the Trincomalee office noted in the last quarterly report was unable to be executed. The office move was reviewed by the U.S. Embassy Regional Security Officer and USAID Mission Director taking into consideration the opening of a Karuna faction office several blocks down the road from the newly renovated SLTI office. In light of security concerns, the move was canceled.

Over the reporting period, the Matara and project-wide support team prepared a plan for closedown of the Matara office, with a closure target date of October 22, 2007. Ongoing activities will be transitioned to the Colombo office team for continued implementation and management. The plan included a transition for key Matara team members to join other office teams as required. The number of activities underway, especially in the eastern offices, were at an all time high during the period, requiring additional staff support in key areas, such as grants management. Administrative portions of the plan were underway by the end of the quarter and

activities will be stepped up in the beginning week of October to meet the closure deadline. Additional short term support will be provided in October by a DAI home office team member to ensure a smooth transition.

The annual staff meeting was held September 10-11 in Ahungalle on the Southern coast. Activities began the evening of September 9<sup>th</sup> with a welcome dinner and team building activities. The agenda for the two day meeting included an opportunity for each office to present a high impact project to enhance cross learning, several interactive sessions on practical monitoring, implementation, and closeout challenges, and work planning for the October 2007-March 2008 period. In addition, the team worked on conceptualizing a capstone culmination event to be held early in 2008 and documented the team's key lessons learned over the past four years of the program. The event's hallmark was the leadership, facilitation, and engagement of local team members in the design and execution of the program activities. The USAID Mission Director attended and acknowledged the efforts of the team over the life of the program. While the Ampara and Trincomalee teams traveled back to their duty posts, the Matara and Colombo teams were fortunate to take part in a shramadana activity. The donation of team labor was provided to the Dharmapala Park renovation grant activity in Galle town.

## **STAFFING**

The reporting period was characterized by a high number of activities under implementation and a transition for the Matara office team as Southern tsunami activities began to come to a close. At the end of the period, team members have expressed concern over the issue of job security as they observe the upcoming March 2008 project closure. Staff retention and incentives were under discussion at the end of the reporting period and will require continued focused attention in the next few months.

Changes to staffing for each office are summarized below.

In Ampara:

- Ruwan Fernando, Grants Specialist, was promoted on April 1 to Grants Manager.
- Ahilan Gunasinham, Driver, was promoted to Procurement Assistant on August 13th.
- Sujeewa Pananamana was hired as a Driver August 13 to replace Ahilan Gunasinham.

In Colombo:

- Ruwan Perera, Driver, was hired April 10 to replace Tharanga Prasad who departed the program.
- Dinesha Jayasena, Project Administration Assistant, was hired May 3 to assist with Colombo and project wide office management needs.
- RHM Zafarullah, Program Development Officer, departed on July 3.
- Azad Saeed, Infrastructure Manager, completed his one year assignment and departed at the end of July.
- The infrastructure team continues to provide support through two local Infrastructure Officers Sarath Yatawara, who joined the team on May 14 and Sangaran Balasingam who began on August 6.

- Surrendra Wijerathne, Program Development Officer, departed on September 6.
- Sudharshini Dharmawardane was promoted during the reporting period. She now continues in her role as Program Development Officer for the Colombo Team, but adds to her portfolio key project wide operations and process activities. In addition, she continues to perform core Database Manager duties and oversee Colombo activities as Acting Regional Program Manager in the RPM's absence.

In Matara, the pending office closure in October led to a number of staff departing as viable job opportunities arose.

- Program Development Officers Nalaka Siriwardena and Niyaz Mohamed both departed in May, while Arunashantha Rajith departed on June 7.
- Office Assistant Savithri Galappaththinge departed June 30.
- Grants Specialist Gayan Rukshan departed on July 3.
- Executive Program Assistant Nirosha Kodikara departed July 30. After Nirosha's departure, Nilusha Amarasinghe, Procurement Assistant, was promoted to Office Manager on August 1 and undertook key office operations duties.
- Finance Specialist, Amila Prematunga, departed August 31. Following his departure, finance duties for Matara were added to the portfolio of the Colombo Finance Specialist, Windhya Liyanarachchi.
- Regional Program Manager, Nandi Hall, departed the program in early September in order to begin a graduate program in the United Kingdom.

In Trincomalee, two team members departed to undertake new opportunities:

- Grants Specialist, S Kohulanathan left the program on June 6.
- Procurement Specialist, T Sakthiyalingam, departed June 30.
- To bolster the team's implementation during a critical grant period, three Matara team members were transferred to Trincomalee in early July:
  - Jeikanth Sivasamy, Procurement Specialist, Dhanushka Tennakoon and Sivasubramaniam Surendan, Grants Specialists.

Expatriate leave coverage for the period was as follows:

- Keith Doxtater, Regional Program Manager for Colombo was on leave at the end of June into mid July. Sudharshini Dharmawardane provided coverage as the Acting Regional Program Manager.
- Janelle Kempel, Deputy Chief of Party, was out of the office in July and coverage was provided by the Chief of Party, Finance Manager, and Project Administration Manager.
- Clare McConnachie, Regional Program Manager for Trincomalee was on leave in early July, as was Nandi Hall, Regional Program Manager for Matara and Keith Smith, Regional Program Manager for Ampara, in August. Their absences were covered by other senior managers.

